

Truth about Managing Telecom Costs.

Introduction

Many people hear all the time from sales people promising to reduce telecom costs. Yet often these promises are never delivered on. There are typically two types of sales people making these offers.

Sales people who are trying to switch your phone service or put you on VoIP.
Sales people who work for companies who fix billing errors.

The problem is most companies aren't getting ripped off with billing errors – so fixing that shows mediocre savings at best. Sales people trying to switch your phone service have an incentive to charge slightly less than you pay now which means minimal savings, and usually don't have the authority to give you the best deal. In addition most companies are getting a pretty good deal on their telecom services.

So how do you cut through the hype?

What most people really want is someone who will help them reduce costs, by understanding what the organization needs and recommending improvement and upgrades that also save on costs. They want solutions that save them money but also maintain all of their present services.

Is there a way to take advantage of all the advances in technology and de-regulation and see prices really fall?

Over the following pages we'll tell you –

[The truth about whether costs can be reduced substantially.](#)

[Why are costs are higher than they need to be for so many companies.](#)

[What's the key thing you need before costs can be reduced further.](#)

[Why no one is supplying it.](#)

[What to ask someone who wants to reduce your costs](#)

[What else to look out for.](#)

[What the optimal process is for reducing costs](#)

[What you can delegate](#)



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The Truth About Telecom Costs

Our review of the spending of 80 small and mid size companies (0-10,000 employees) shows that.

- Companies with 50+ office employees spend \$1,000 per office employee per year on non-wireless voice and data services. These companies can typically achieve the same level of service by spending \$500 per employee per year and saving 50% of their annual telecom budget.
- Many companies with under 50 employees spend closer to \$500 per office employee per year, while many spend closer to \$1,000 per office employee per year. This is because they have less complex environments.
- Achieving a low level of spending requires not just a sustained commitment of time by an employee or an outside consultant, but more information than is provided by vendor bills.
- Many telecom services have stayed fairly stable, many services have greatly fallen in price. Sometimes these prices are publicly advertised, while often they're available only to select channels and business partners.

Why are costs so high?

Many companies' vendors do not provide their clients the information they need to improve their buying any further. The internal staff has no time for further analysis and additional vendor management. Vendors are willing to help, but have no incentive to decrease their sales to you.

What FREE information does each of your telecom vendors give you to help you make an informed buying decision? Clear and usable inventories of services purchased, competitive quotes from other vendors, lists of potentially underutilized services?

To ask this is to answer it. Why would any vendor voluntarily try to reduce the revenue they get from you?

When managing telecom, you've probably found that it is almost impossible to objectively answer even the most basic questions:

- What exactly are we paying for?
- Do our inventories match up with our invoices?
- Are we paying too much?
- Can we negotiate better contracts?
- Are we paying different amounts in different locations for the same services?



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- Where are all of our telecom services?
- Are we paying for unused lines and services?
- Are we over capacity?

Because people aren't given the information they need to make a fully informed buying decision they can't know if –

- They're buying services they no longer need.
- If they're paying above market rates for the services they do need.
- If the bills are correct or if the contract is being read in their favor.

What's the key to managing costs?

An inventory.

That's the key.

Most people know what key services they're purchasing, but they don't have an inventory listing in one place all the services they're purchasing. Therefore they don't really know what they're buying, nor do they need more than the list of key services to keep things running.

However it is impossible to reduce costs to the minimum without an inventory that lists every single line and phone number and usage based service, and for each one lists -

- What vendor supplies it
- The account number
- What location it services
- What type of service it is
- Why it is needed
- Confirmation it is working / in use.
- The phone number or circuit number
- The hunt group
- The termination number when needed (i.e. 800#s)
- The total cost
- The monthly base cost
- The volume of usage and its cost per unit
- The date of the invoice the information comes from
- The vendor's phone #
- The billing address



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- The contract term and end date

That is as many as 16 data points for every single line and phone number and usage based service.

The inventory can be a database or even an excel sheet or some sort of on or offline application. The key point is that it contains all the data in on place in a database friendly format for everything you purchase.

What most people have is a pile of phone and data bills that doesn't give you that information in one unified view, and a list of key services whose cost doesn't equal the vendor bills.

When the data is in one unified view you or someone else can then easily determine –

- If you're being double billed for the same service.
- How much capacity you have.
- If there are unused services or excess capacity
- If you're paying different prices for the same service
- How much the lowest market rates will save you

Why you haven't been given the key to managing costs

The primary reason of course is that it is a lot of work.

Why people don't do it internally

Doing this for a company with 100 employees can take someone an entire week.

Why doesn't the phone company do it?

The phone company has no incentive to make sure that its clients aren't buying services they don't need. Nor does it want to point out that you're being charged different amounts at different locations. That would cut in to their revenue. It doesn't matter if they're an existing vendor or a new vendor.

Why don't telecom expense reduction companies do it?

Primarily because they focus on billing errors. Even if they have the expertise to create an inventory, they'd also need the expertise to do something useful with the information. They'd have to understand why you're buying what you need and how it all ties together, and they'd also have to know what the best rates are in your market and what your vendor's willing to negotiate.



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That's a very different skill set than fixing billing errors. Unfortunately for them billing errors aren't as significant as they once were.

Other companies that want to reduce your phone bills work for the phone company and just want to switch your service. The more you spend the fatter their commissions. They don't work for you, and they can still save you a little money by switching you. So why do all that work to make a sale? The data might even show you're better off sticking with your existing provider as long as you make a few changes to your plan.

What you must get from any company that wants to reduce your telecom costs

An inventory.

You want to make sure they volunteer to give you an inventory as one of the deliverables. Make sure you see a sample.

Any company that wants to reduce your costs must be able to analyze your bills and produce an inventory. They'll probably have some basic questions for you, and you should supply them with your lists of key services. But on the whole they'll prepare one for you, and call your voice and data vendors with all their questions.

If they don't have visibility in to exactly what you're buying and why - they can't make sure you're buying only what you need, paying the amount in your contract, and getting it at the lowest price.

What else should I look out for?

Look for the following:

- Again - they must offer to give you an inventory.
- What kind of results do they get? Do their clients save 50% and end up spending \$500 per employee per year?
- They'll analyze your inventory for you, and find billing errors, unused services, and better rates.
- They understand voice and data services and how they integrate offices and equipment. You don't want someone who will try to disconnect your important services.



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- The understand how to find and fix billing errors, and get your vendors to return the money.
- They must know what are the lowest market rates for different services. Every city has unique for some services. Knowing what you can and can't negotiate on is key. People with the right connections can get lower rates from their people than you can calling up the phone company yourself.
- They must not just advise, but implement all the ideas you approve. They must be able to track open billing issues which can take months for vendors to resolve.
- Insist on documentation.
- All of this takes time, and they must be willing to work with your for months or even a year if needed.

What is the best process for reducing telecom costs?

In order to achieve the optimal cost of around \$500 per office employee per year, you should expect the following process. The key is get the additional information needed to make a more informed buying decision. Preferably you want someone else to do all the work for you so you have time to do your job.

The Inventory

First you have to be given or create an inventory of all your services. As explained above it must list exactly what is being bought and how much it costs.

Reviewing the inventory

Next someone has to review every single entry in the inventory and ask three questions about each one.

1. Is this the right price? Or are we being misbilled according to the contract or our quotes?
2. Is this service really being used? If it is being used, is it underutilized, could it be consolidated with other services?
3. Is this the best market rate for this service? Can we get such a rate from our provider or only from another provider? What are our options.

In order to do so the person doing the work has to understand how to



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1. Compare contracts and quotes with your bills and determine if they're correct.
2. Get and use usage data, how to test if a service is in use, determine what the capacity need of an office are, how and why people use different services.

Reviewing the proposal

Now you can review the information to make a fully informed decision. You should get a proposal or other information showing you.

1. The billing errors that are being fixed.
2. The services that you probably want to get rid of and consolidate.
3. What kind of rates you can get on the services you want to keep.

You can then decide how to proceed.

Implementation

Now it is time for everyone to implement your decisions.

1. Billing errors are tracked and confirmed fixed.
2. The services you don't need are removed, and the rest are consolidated.
3. New contracts are drawn up and implemented by your vendors.

Documentation

Now it is time for people to confirm all the problems have been fixed. This means checking the bills to ensure that they are correct and:

1. Errors are fixed and refund checks were issued.
2. You're no longer being billed for extraneous services.
3. Your new bills reflect your new contracts.
4. Your expected savings have materialized.

Typically all changes have to be tracked and confirmed. Phone companies, especially people signing contracts with their incumbent vendor, often screw up new phone bills. It is therefore very important to track all the issues with each bill month after month until they're all fixed.



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All in all this process will probably take your people at least one hour for every employee you have. So if you have 500 employees someone has to spend 25% of their time on this project. Fortunately doing it right the first time means you can probably spend less in a couple years when it is time to do it again.

Can you delegate or outsource this?

Most of this can be delegated or outsourced. However the decision maker in charge of voice and data services must approve all changes. If the decisions are properly presents most changes will be no brainers –

- Terminating unused services.
- Fixing billing errors
- Signing new lower cost contracts.

However when saving money involves consolidating services or installing new services, decision maker must take the time to understand their options. Since such changes always involve many thousands to tens of thousands a year, it is worth spending a few minutes or a couple hours approving them. Often if a change is needed, usually someone on staff or one's PBX vendor can make the change.

If you delegate or outsource it has to be to someone who has the time and expertise. Unfortunately most employees who have the skill set to do this are busy building the business and can't focus on these details that are far removed from taking care of clients. In regards to outsourcing, most companies focus on billing errors or switching you to another carrier so they don't save their clients 50%. They don't have the time and expertise to manage telecom costs more intensively.

There are a few companies which do help clients with more than just billing errors and act as advocates for their clients. Primarily they focus on the largest accounts. (There are also firms which claim to do more that focus on billing errors, but in fact do not. Since billing errors are only 10-15% of the savings this is a problem.)



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Berlin Pacific is one of the very few companies that helps small and mid size firms. We provide the information and expertise you need to make an informed buying decision. We then implement your decisions.

- Your vendor bills and records are used to create a detailed inventory of your individual vendor services paired with your actual costs
- Your unused or underutilised services are discovered and terminated or consolidated
- Your vendor's billing errors are discovered and fixed
- You discover and obtain better rates and vendor credits, without doing the work
- All of your savings are extensively documented.

Please feel free to give us a call or send us an e-mail any time.

Berlin Pacific Clients Get Results

Rock Solid Management of Vendor Costs. Since 1998, we've helped small- and medium-sized businesses – including Fortune 500 clients -- unlock value by permanently reducing costs or adding services. *We increase your profits and value.*

Specialized Experience. Unbiased Point of View. Fee Based On Performance. Because we're not a vendor (we have a network of experts to provide cutting edge services and the best price on commodity services) we offer objective advice. *The result of this approach is that the cost savings we provide pay for our fee many times over.*

Personal Attention. Detailed Analysis. Our culture and methodology cultivate seamless, productive, long-term relationships supported by consistent, detailed results. It's our desire to *earn your business through in depth, detailed analysis and high impact on your bottom line.*

Quick & Easy Start-Up. The road to recovering lost value is just one step away. Give us the word and within hours we can be working on your behalf to *eliminate wasteful spending and deliver a higher ROI from your vendor costs.*

No Risk. Satisfaction Guaranteed. As a result of our performance-based compensation, you receive a valuable Cost Analysis Report from Berlin Pacific at no added cost, an \$11,000+ value for a mid sized firm. *If we don't find savings, you'll sleep easier and we will have cost you nothing!*



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