



## **Controlling Telecommunications Expenses in An Evolving Environment**

*A 3-DO White Paper*

### **If you feel your telecommunications expenses are out of control, you are not alone ...**

Costs associated with telecommunications are often overlooked. Users that fail to adequately resource this function will end-up overpaying for their telecommunications services. Telecommunications expenses as a percent of revenue range from 2% to 10% and are a significant cost line item affecting the bottom line. Spending on local, long distance, cell phones, data services and web hosting range from \$100 to \$10,000 per employee per year. On average, across industries, medium and large companies spend over \$2,000 per employee per year in communications charges. Thus a company with approximately 1,000 employees is expected to spend approximately \$2,000,000 per year in telecommunications.

For the majority of IT and telecom managers within the enterprises, the task of controlling telecom costs is daunting because of billing complexities, varying usage, constantly changing market prices, proliferation of new services, introduction of new technologies and constant push by vendors and carriers.

In medium and large companies, telecom agreements need constant attention to avoid billing errors, creeping overpayments for unused services, penalty for contract default, interest charges for late payment, etc. Many studies have confirmed year-after-year that 80% to 90% of businesses spend up to 35% more than they need to on telecommunications services<sup>1</sup>. According to a recent study done by Rand Associates, 4 out of 5 providers' invoices contain errors. Billing errors usually favor the carriers, and the task of detecting these errors and recovering the overpayments is a challenge in itself.

### **The Evolving Market**

Adding to the complexity and time consuming of telecom contract management is the risk of service disruptions. The turmoil of the last few years in the telecom industry have demonstrated clearly that even the largest tier one carriers is not a safe bet. Buying from tier one providers doesn't guarantee performance or financial stability. These carriers promise that consolidation of services under one roof will simplify billing and would be more cost efficient. There is no safe havens however when tier one providers such as Worldcom or Genuity filed for bankruptcy.

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<sup>1</sup> USA Today

Managing telecom expenditures mean also reviewing from time to time the financial foundations of your current providers and making sure that their customer service is responsive and up to your expectations.

### **Cost of Managing Telecom Expenses**

According to our research, the cost of managing telecom expenses averages between 3% and 5% of total telecom expenditures, often requiring a full-time employee if the total annual expenditures exceed \$4 million. In small and medium size companies<sup>2</sup>, the cost of managing telecom expenditures range from a few hours to a few days or weeks a month. Telecommunications billing audit, contract negotiation and management are not core business functions and internal staff responsible for telecom contract management is understaffed and under-equipped to best manage those contracts. Understaffing means lost savings opportunities, resulting in higher real cost for services.

### **Traditional Solutions**

Many companies have tried to control their multi-million dollar telecommunications costs in a number of ways that, ultimately, have limited success:

*Contingency bill auditors:* Typically they are telephone bill auditors who locate billing errors and kept a portion of the amount recuperated for the client as service fee. This short-term approach could be beneficial particularly if the company has not looked at their expenses and billing on a regular basis.

*Strategic Consultants:* They offer the service of reviewing the business environment and design networking options which may bring reduction in costs. They write RFP/RFQ, project manage the implementation, then leave and eventually begin the process again at the next contract renewal.

*Outsourced telecom department or function:* The entire function of managing the telecom expenditures is outsourced to a specialized company. This represents a major shift in the company's culture and requires strategic corporate planning and decision at the top level.

### **The 3-DO Optimization Process**

The flexible approach of 3-DO maximizes the benefits a client can derive from each of the above traditional approaches, while eliminating or reducing the disadvantages of each approach taken individually:

1. As a first step of our engagement, 3-DO performs a bill audit with the best tools and software in the industry to detect and highlight the billing errors. Then we work with the carriers to recover the overpayment without distracting the core business of the client. Since we work behind the scene directly with the carriers, often clients will only see the recovered amounts directly deposited in their bank accounts or as a credit for future services. Furthermore, we perform the bill auditing on a regular basis, usually on a quarterly basis, picking up any residual billing errors along the way.

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<sup>2</sup> 50 to 500 employees

2. As a telecom expert, 3-DO reviews your telecommunications network in its entirety and will suggest different network configurations based on your specific needs and corporate objectives. These optimum network solutions are then mapped with potential vendors and providers. Again our tools and databases are used to best fit your needs with the best providers in terms of quality and services.
3. Thirdly, we establish an RFP/RFQ with a selected small group of providers and carriers.
4. Fourthly, we negotiate on your behalf with the selected carrier under the terms and conditions that are more advantageous for you, improving your flexibility and your quality of service. The fact that we are maintaining constantly in contact with all the carriers and our large client base make us a formidable negotiator for the best price, which even you cannot achieve under the best circumstances. Our independence with all the providers and carriers guarantees there is no conflict of interest and that we are strictly working for your interests.
5. Finally, even after the implementation is completed, you have access to our large pool of consultants specialized in voice, data or wireless services. We complement your IT or telecom department by serving as your outside consultant and telecom expert always ready to provide you with the best advise in technology and service at any time at no additional cost to you.

Best of all, our optimization services can be billed either on a contingency based or on a project base, allowing you to be in complete control of your expenditures at anytime while allowing you to concentrate on your core business

### **The Case for Outsourcing Telecom Portfolio Management**

Companies that switch from internal telecom expenditures and contract management to an external independent telecom consulting firm can expect to save at least 10%-15% annually after factoring in the consulting fee. This represents savings that are on average 5% to 10% better than using internal staffing for the same functions.

Outsourcing also bring additional advantages:

- ❑ Enhance the accuracy of equipment and service record, which will reduce the time and potential errors in conducting a request for proposal or future audits;
- ❑ Improve non-price protection in new contracts by using languages and clauses which reduce the exposure of the company in various circumstances;
- ❑ Reduce the implementation delay which in turn allows new lower pricing to kick-in more rapidly
- ❑ Internal staff is used more efficiently in other activities related to improving the revenue side of the business

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