10 ways to cut telecom bills

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Telecom is among the top 10 costs for most businesses, according to industry experts, and for many it ranks in the top five. With that in mind, here are 10 tips for cutting your telecom expenses that range from organizing your bills better to rethinking how you support older technologies.

1. Go flat rate.

Businesses, such as Fidelity Investments, are moving away from plans that let all mobile users share a bucket of wireless minutes per month to flat-rate, per-minute plans.

If a company is paying US$1,200 per month for a bucket of 20,000 wireless minutes but employees use only 10,000 minutes, your cost per minute has essentially doubled, says one consultant who asked not to be named.

With a flat-rate pricing contract you pay for only what you use and you know you will pay a set amount per minute every month. The consultant says she is working with a U.S. military department that has renegotiated two of its four wireless service contracts to flat rate and expects to spend 10 percent to 30 percent less annually.

"Flat-rate plans also offer customers soft cost savings," says Phil Redman, research vice president at Gartner. "There's less management that needs to take place, no need to manage pools of minutes and where individual employees fit into those plans."

Redman points out that you will not find flat-rate plans as part of a wireless service provider's standard offering. But carriers will negotiate a flat-rate plan, he says.

2. Reverse auctions.

A reverse auction for telecom services starts by stating what your company need, whether it's a worldwide data network or wireless voice service for 2,000 sales representatives.

Carriers then bid for your contract, with prices dropping as competition heats up. Carriers also include contract terms when they make their bids. Terms include service-level agreements (SLA), early termination fees and specifics on pricing.

Reverse auctions aren't new, but companies that offer this type of procurement say large businesses are now more comfortable with it than in previous years.

Using online RFPs and reverse auctions to procure circuits is one of Fidelity's best practices to keep telecom costs down, says Reed Saunders McGoldrick, a vice president at the Boston financial services company.

Two companies that offer reverse auctions for telecom services are Avotus and Source Loop, each of which says its service can cut customers' costs in half. In addition, they say using reverse auctions can slash the length of the RFP process from nine-plus months to about two.

3. Getting personal.

It's an onerous task but one that can save a company thousands of dollars: Match every expense to an employee ID number. This is one of the many tools that Ikon Office Solutions uses to keep its telecom expenses in check.

"We found more employees than we expected when we mapped employees back to charges," says Larry Van Etten, senior manager at Ikon's telecommunications service center. Many were no longer with the company.

"It was a very difficult process but worth it," he says.

Van Etten now flags an individual expense that doesn't match against his current human resource file of employees. A telecom analyst will do further investigation. Sometimes it's the final cell phone bill for an employee who just left the company.

Ikon went through the same process for each location. Now Van Etten's team can map every circuit invoice to a specific location. If that location is no longer in the company's real estate file it will be shut off.

JoAnn White, a telecom manager at Caremark, a pharmaceutical services company, also recommends developing a relationship with the department that manages your company's property leases. "This allows us to know when locations are moving or closing so we can prepare for those changes," White says.

4. Benchmark your costs.

Like tying telecom expenses to individual users, cost benchmarking can be a bear. But knowing your average cost per user lets analysts more easily spot problems, Van Etten says.

Costs that are considered when coming up with this figure include wireless services, pagers, calling cards, long-distance and local phone charges, Internet access and data usage. For Ikon it was an easier process to come up with a figure that worked across the board for most employees.

Other telecom professionals say they segment their average cost per user by department or type of worker. For example, an employee in sales may have a different average telecom cost than one who works in data processing.

5. Clean sweeps.
This relates back to benchmarking. If you know the typical telecom expense per user is US$20 per month and one of your facilities has 15 employees with expenses hovering around US$60 per month then they'll be in line for one of Donna Edwards' clean sweeps.

Edwards is manager of telecommunications at Emdeon's Practice Services. Emdeon provides technology and services to the healthcare industry and owns 85 percent of WebMD.

Quarterly, Edwards looks at usage and telecom costs at all Emdeon facilities. Then her team selects a few sites with anomalies and does a clean sweep. All expenses are investigated with a fine-toothed comb and errors corrected.

She's found circuits with zero usage and employees with multiple wireless devices and company-issued calling cards.

These reviews have been a real cost savings tool for Emdeon, which has been able to reduce the number of pagers it was paying for from 10,000 to 3,000.

Most people stopped using their pagers but never turned them back in or asked for service to be terminated, Edwards says.

6. Rethinking faxing.
It's not the most exciting aspect of your job, no doubt. But if you ditch the traditional way your company might send and receive faxes you could reduce your telecom costs. That's what happened when Emdeon canceled 200 fax lines and deployed RightFax enterprise fax server software. The company cut its telecom spending by US$8,000 per month.

7. Clear up contracts.
Fidelity's Saunders McGoldrick says that including "favorable contractual language" is key in keeping telecom costs under control. The idea is to make recovering credits for erroneous charges easier and faster, she says.

Gartner's Redman agrees. "If you start with a bad contract you will not have the capability to reduce your costs in any meaningful way," he says. "Customers have to remember everything is negotiable."

"We're fanatical about contract language . . . that holds (the carrier's) feet to the flame," Saunders McGoldrick says.

Emdeon's Edwards points out that most contracts say a customer does not have to pay for charges that were made in error. But it's important not to pay invoices in full when you're certain charges were in error.

Users have to follow the specific rules spelled out in their contract for disputing charges, which typically include providing documentation on why the charge is in error. Documents typically include original contracts and the erroneous bills.

Short paying allows a company to keep its dollars within its business and not wait for a credit, which on average could take six months, according to Gartner.

This might seem like a simple concept, but the risk of short-paying invoices is service disruption. Ikon does not short-pay for that very reason. Instead carriers get "interest-free loans" and Ikon recoups its credits as soon as possible, Van Etten says.

8. Track, optimize circuits.
There are two points to be made here. The first is to map out your bills, Van Etten says. Data networks can be complex, and ensuring you are being charged for the correct number of permanent virtual circuits (PVC) on a fully meshed frame relay or ATM network can be cumbersome. But it's necessary.

Ikon inked a deal for a new fully meshed ATM network with PVCs to multiple locations. The bill seemed high. After mapping out how Ikon was being billed against what was ordered and what was actually being used Van Etten discovered the company was being charged for nearly double the number of PVCs it ordered or was using.

After six months of debating with the carrier, Ikon was able to settle the dispute. They were not credited the full amount of the erroneous charges, but both parties agreed to the sum. Van Etten wouldn't reveal the exact number, but says it was substantial.

The second point is to work with data engineering to optimize bandwidth, which telecom analyst Richard Glover of Ultra Technology says is a sure way to reduce costs.

A telecom analyst has a full inventory of the number of circuits and how they're being used, says Glover, whose company consults for government agencies. The telecom expense management team can recommend combining traffic to a single, little-used dedicated circuit or work with data engineering to migrate high-capacity circuits to fractional or smaller circuits if they are not fully utilized.

9. Avoiding slamming.

Slamming is when your long-distance service provider is changed without your permission. This is not a new practice, but one that still goes on unless you keep close tabs on all of your company's voice lines. It can be costly because when a line is slammed it is changed to a provider and a rate plan that will always cost your company more.

For information on what your rights are and how to file a complaint if you are slammed, see the FCC's Web page on the topic at www.fcc.gov/slamming.

To avoid slams, consider putting a "PIC freeze" on every long-distance line, Emdeon's Edwards says. In addition, Emdeon has password-protected every long-distance line and specified only a few people who are permitted to make changes to those lines. "We haven't been slammed in about two years" since these three measures were put in place, Edwards says.

10. The little things.

A US$10 monthly charge today could be a US$1,000 monthly charge in six months if the erroneous fee is not fixed when it first appears.

"Investigate small bills that seem to bill the exact same amount every month, to ensure that the service is still needed," Caremark's White says. Sometimes these small invoices don't cause anyone to gasp but may no longer be needed.

White also recommends closely examining monthly local bills. "You will often find unrequested, newly added charges and services from ancillary vendors, that seem to be hidden indefinitely," she says.

Examine everything.

"My experience has been there is typically one error per page," when it comes to telecom invoices, Van Etten says.

"That's a pretty high error rate." It's something all telecom managers should keep in mind," Van Etten adds.