

Telecom Expense Management: Top 10 Vendor Considerations and Areas of Differentiation

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Telecom expense management (TEM) continues to show strong growth in the marketplace, especially in North America. TEM solutions for mobile assets are the engine of growth for the market as companies look to address years of neglect and waste brought about by inefficient procurement and governance policies (for example, corporate vs. end-user-liable mobile policies). Gartner expects mobile TEM solutions to grow from generating 15% of the overall TEM revenue in 2006 to more than 30% by 2011. This represents a 46% compound annual growth rate for that time period. Most of the growth will continue in North America, followed by Western Europe and Asia/Pacific, where demand isn't as high.

Key Findings

- Absorption of telecom charges at the enterprise level without proper charge out and accounting will continue to put undue pressure on IT and finance departments to control expenses, implement changes in end-user behavior and pursue more-stringent methods.
- Many TEM vendors are positioning mobile TEM capabilities; however, for most vendors in the market, managing mobile devices and services is a new business domain, and they lack the core experience and market acumen to deliver quality support.
- TEM services are evolving from the management of cellular expenses to full IT and business process outsourcing (BPO) for mobile communications.

Recommendations

- Enterprises need to include fixed and mobile TEM as part of their outsourcing strategies, along with cellular, data, long-distance, Wi-Fi hotspots, dial-up and any other remote access services.
- Enterprises must set a list of expectations about how TEM will change the way telecom services are sourced and managed regarding key elements, such as expected return, responsibilities and impact on head count.
- Enterprises need to ask the key questions outlined in this research and push for metrics to clarify differentiation among various TEM vendors.

TEM Vendor Differentiators

Although some type of TEM services for mobile devices has been available for at least seven years, the focus of the services has changed from basic expense management and rate plan optimization to include capabilities for ordering, provisioning, fulfillment and help desk. However, as traditionally fixed-service TEM companies grow their mobile capabilities organically, or through acquisition, key areas of differentiation need to be looked at when considering hybrid TEM players vs. pure-play mobile TEM vendors.

Gartner tracks more than 130 companies that provide TEM services to the market. We expect the wave of consolidation to continue during the next five years as legacy TEM companies look to solidify their contact base following recent acquisitions made by ProfitLine, Verucuity and Tangoe. The market is also preparing for the formal entry of carriers, system integrators and outsourcers. The reduction of pure-play TEM vendors and the expansion of alternate providers, such as the outsourcers and integrators, will create a dynamic and challenging landscape to navigate.

Once the strategy has been set for a TEM solution, users must create their tactical vendor considerations. Because of the dynamic nature of this market, and the complexity of the environments being managed, users should not equate vendor size with their effectiveness in delivering solutions. In fact, most of the vendors marketing mobile TEM solutions that generate less than \$20 million in annual revenue provide better service levels and maintain a more comprehensive service portfolio than larger vendors that generate billions in revenue. Enterprise customers looking to adopt TEM solutions must evaluate companies positioning mobile TEM capabilities against the following key criteria.

1. Staffing Ratios

All TEM vendors say that they provide the best and dedicated support; however, as small vendors attempt to scale into larger ones, it is important to understand the number of support personnel per client. This is important in areas of project management, sales, help desk, auditing and reporting. The vendors with the fewest number of clients per TEM associate will most likely offer better services on an ongoing basis.

2. Help Desk Capabilities

Many TEM vendors are outsourcing their call centers for provisioning and support. Even if they don't subcontract help desk operations and personnel, determine the level of experience the help desk personnel has for troubleshooting and technical support vs. lower-level order taking. Does their staff provide a value-added experience, such as troubleshooting, or do they just take orders? Level 1 support is important because most of the calls come to it; however, more-advanced devices may call for greater service at Level 2 and above. Find out relevant call center statistics for at least a three-month period that includes the first-call resolution rate, average hold times and average call lengths. Also consider help desk hours of operation. Ensure that they meet your business requirements. Many do not offer 24/7 operations, which may be important for multinational businesses.

3. Service-Level Agreements

As in any outsourcing agreement, service-level agreements (SLAs) are critical to hold your vendor accountable for an expected and agreed on level of service. All SLAs are not equal and may range from simple contract termination clauses to actual service benchmarking and

penalties. Companies with stronger SLAs that offer penalties and assurance and not contract termination or extended service times are more likely to provide the higher level of services. See Note 1 for TEM-specific SLAs.

4. Processes

As TEM evolves into a broader BPO model, process becomes more important. TEM companies that have structured processes, methodologies and governance models will be the providers best able to meet SLA requirements and help organizations meet business goals. Ask hard questions about your future TEM vendor's processes, who manages them and how long they have been in place. These should be readily available for review and built into SLA agreements.

5. Reporting

Not all business intelligence tools are the same. Ensure that your TEM vendor can provide you with the type of reports you need in a timely manner. Even better, ensure that you have the ability to create your own customized reports from whatever data is available. The tool should also customize views for you across lines of business, provide cost allocations and give a dashboard view of total telecom expenses — to name a few basic/required capabilities.

6. Application Integration

Most TEM vendors can integrate into leading ERP and HR applications. Many have application programming interfaces available for proprietary systems. Ensure that the TEM vendor can support the company's enterprise applications. Integration may be costly, and some vendors may not provide any customization.

7. User Interface

Some management tools don't offer as much flexibility as others or have as easy an interface to use. Look for tools that allow customization of data and appearance, and provide an intuitive way to manage the information presented for end users and administrators.

8. Carrier Relationship

This is becoming a key area to question. Although carriers are likely to work with many TEM vendors as they reduce the carrier's cost of operations, TEM vendors need to have good relationships with them to have support, billing, device or service ordering questions answered in a timely manner. Some TEM vendors have agent relationships with the carriers where they receive commissions on each new provision. This is not necessarily a bad thing as long as the TEM vendor pursues equal relationships with all carriers, are upfront about any commissions gained from any transaction and keeps the enterprise's best interest in mind. Agent relationships don't garner high revenue, but they enable better and faster access to carrier data, which, in turn, enables better service to the enterprise customer for sourcing, procurement or bill disputes, to name a few areas.

9. Pricing

TEM vendors are generally pricing mobile TEM solutions by line versus a percentage of telecom spending, as is done in the fixed TEM market (the percentage usually runs for .5% to 3% of the total telecom spending). Although similar, TEM vendors are competitive in pricing and generally offer volume discounts. The average costs are in the \$5 to \$10 per-user, per-month range based on volume and services offered. This also varies by services offered, with basic management and rate plan optimization falling lower, while full BPO capabilities that include procurement and help

desk are at the higher end of the scale. Bill auditing, rate plan optimization and service sourcing may also carry additional charges based on a percentage of savings.

10. Implementation Costs

These costs differ by vendor, services offered and the size of the contract. Be sure to find out what the implementation costs are, what the process for implementation is, how long it should last, what data the vendor needs from the enterprise and what the enterprise's role will be. Investigate the deferment of upfront charges for integration in favor of amortizing the charges within the monthly recurring charge per line.

RECOMMENDED READING

"How to Support PDAs and Smartphones in Business, 2006"

"A Strategy for Managing Mobile Communication Expenses"

"Overviewing the Three Vectors of Mobile Worker Segmentation"

Note 1

TEM-Specific SLAs

To ensure that the quality of services meet or exceed the expectations of customers, SLAs are agreed on with customers. The times for SLAs can be measured and reported by the total number of tickets or by tickets for specific categories (that is, type and priority). Deviations from the standard set of SLAs or collection tools will be reviewed for cost considerations and negotiation points. SLAs are measurable and based on data collected and tracked via the agreed on benchmarks signed in the original contract. Examples of TEM SLA areas are:

- Procurement — order management, as in the time to procure and ship devices
- Help desk — traditional call center statistics, such as time to answer, average hold and call time, first-call resolution and customer satisfaction
- Billing — accuracy in billing, invoice management and audit percentage savings
- Expense management platform — uptime, availability and speed
- Rate plan optimization — percentage saved, and reports generated and delivered

This research is part of a set of related research pieces. See "Gartner's 2007 Criteria for the Enterprise CPR" for an overview.

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