

## Top 10 Strategies for Developing a TEM Services Relationship

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For procurement and financial personnel, this document gives 10 top considerations for managing a relationship with a TEM provider, and offers insight for those looking to adopt a TEM service.

Much of the challenge lies in the fact that the market is flooded with very small providers. By Gartner estimates, 90% of providers in the market have less than three years' experience of providing managed or business process outsourcing services to enterprises.

### Key Findings

- The service is only as good as the platform it is built on. Take care to ensure that cross-departmental representatives are on the review panel for TEM initiatives.
- If deploying only mobile or fixed TEM at first, ensure a smooth migration path between the two by choosing a vendor that can do both well.
- The only way to optimize the capabilities of the TEM service is to invest in upfront professional services to analyze past and current spending.

### Recommendations

- Use Gartner's Sourcing Life Cycle Model to guide your selection of TEM services.
- You'll achieve better results, and better prices from TEM vendors, by understanding the costs and "pain points" your company has when it comes to telecommunications.
- Discourage turnover of account executives and push for continuity in service delivery.
- Ensure that your TEM vendor provides what has been promised, and make sure it sticks to service-level agreements (SLAs) and guarantees.

## ANALYSIS

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Gartner offers the following 10 guidelines to help enterprises formulate and execute a strategy for securing the best TEM services.

### **1. The Success of a TEM Service Is Highly Dependent on the Underlying Service Delivery Platform (SDP)**

Many traditional providers of fixed-service TEM have extended their SDP to manage mobile assets. This approach does not necessarily offer enough insight to capture the unique features of mobile expenses and supply chain management. Make sure that your potential mobile TEM vendor has built its wireless SDP explicitly to manage the governance of mobile devices. If it partners with a third-party provider, make sure its partner has the same mobile-centric approach within its SDP. Companies trying to use existing wireline software or tools for wireless applications may offer weaker capabilities. The key differentiators that end users need to test are: the provider's ability to parse electronic formats from multiple carriers, configuration management databases (CMDBs), reporting, optimization and sourcing capabilities.

### **2. If You Have Mobile TEM First, Don't Forsake a Smooth Transition to Fixed TEM**

If your company is looking for mobile TEM services only, start the search with vendors that focus only on mobility, or those fixed TEM vendors that have acquired a mobile TEM vendor (such as Tangoe, Invoice Insight, ProfitLine and Verucuity). Be wary of any partnership or branding relationships that offer no guarantee of service and support. Many of these partnerships simply have low-level data integration, and the disparate user interfaces make usage and workflows cumbersome for telecom analysts. To date, the partnership between Rivermine and BBR is the strongest, and has shown co-development investments that are on a par with companies with mobile TEM acquisitions.

### **3. Do IT Right the First Time**

Most companies eschew upfront due diligence and inventory characterization to save on non-recurring integration charges. However, this has proved to be a short-sighted approach. Many companies find that once the service is deployed without an audited inventory it is often difficult to get it right. Often these upfront professional services range from \$35,000 to over \$100,000. Gartner suggests that enterprises plan to invest fully in the correct level of professional services, to identify past overcharges, reconcile current inventories against standing contracts, and establish a central database that all management activities can draw from. Gartner estimates that upfront investments for historical audits and inventory and contract reconciliation will result in at least a 400% return on investment over the life of the contract. This can also be part of TEM service offerings. Gartner believes that the TEM service provider is often the most suitable provider of these auditing and integration services. The upfront professional services offer an increased opportunity for the vendor to blend margins and possibly provide a more favorable price point for the entire solution. The end user can also use the pre-integration of the solution as a way to measure how the provider performs. If it performs unsatisfactorily during the upfront audit, this gives good grounds for ending the relationship.

## **4. Temper Your Expectations of Cost Reduction**

Don't expect to continue to pay for TEM services out of optimized accounts. Based on discussions with customers and vendors, Gartner sees telecom service savings in the first year of between 15% and 35% of the spend level, depending on how managed the services have been previously. However, on already optimized users and services, second-year savings will be significantly lower. For mobile services the savings on pooled and flat-rate users will be lower than those that predominantly use individual plans. If end users are finding it difficult to secure funding for TEM services, some vendors are willing to engage in contingency agreements where the vendor chosen is based on the savings realized and secured. Gartner believes that contingency rates on invoice audits should be separated from the contingency rate for dispute management. Contingency rates for audits range from 25% to 50%, depending on many factors, including company telecom spend, the number of invoices and the number of carrier formats. The effect on contingency rates for carrier dispute management is in the range of 20% to 30%. It is important that both auditing SLAs mandate that all invoices are audited against predetermined criteria (for example, Universal Service Order Codes [USOCs], summary invoices and contract terms), and that dispute-management SLAs cite the minimum level of dispute credit that will be handled by the vendor (see "Telecom Expense Management: Top 10 Vendor Considerations and Areas of Differentiation" for more on TEM SLAs.)

## **5. Audit the Auditors**

Enterprises can't turn everything over to the TEM vendors all at once. There will still need to be enterprise contacts to monitor the services from TEM vendors, respond to requests and track SLAs. When establishing contracts with TEM vendors, companies should seek to understand the level of commitment, in terms of full-time equivalents (FTEs), that the customer must dedicate to interaction with the TEM vendor, as well as identifying the best methodology for the customer's personnel to perform spot checks against service levels, invoice audits and dispute activities.

## **6. Bill Payment**

Only use the larger, more established, process-driven TEM vendors for this service, as missed payments can cause fines, and worse — service outages. There are a few established TEM vendors that have been processing payments for many years (for example, Cass Information Systems, Control Point Solutions, ProfitLine and Vercuity). Customers are advised to investigate how vendors manage the payment process, and determine if the process is self-managed or involves a partnership.

## **7. The Outsourcing of Help Desk Services Must Include Sourcing and Provisioning**

For mobile TEM, customers should avoid simply outsourcing help desk services without also investing in a relationship with a vendor that will also incorporate provisioning or procurement services. The bundling of help desk, procurement and provisioning has been shown to give significant relief in terms of end-user investments in FTEs, and boost employee satisfaction by at least 50%.

## **8. Build a Strong Relationship**

One of the loudest criticisms Gartner hears from TEM customers concerns the "revolving door" of account management. No service provider is perfect, and often it is the strength of the relationship between the customer and the vendor's account management that keeps the relationship alive and thriving. End users should inquire about the rate of turnover for the vendor.

Also, should an account manager be cycled off the account for some reason, the end user should mandate first right of refusal for any new account management. Users should also state formally that a revolving door of account managers is unacceptable, and ensure that the contract stipulates remedies for it (up to and including termination for cause).

## **9. Protect Your Company from Adverse Mergers and Acquisitions (M&As)**

Include a M&A clause in the contract that allows it to be terminated if your TEM company is acquired. Gartner currently tracks over 100 providers in North America, and close to 50 providers in Western Europe and Asia/Pacific. There are a lot of companies in this space and there has been significant M&A activity in the market already in 2007, and we expect more to come. Gartner expects most of the acquiring to be done by large software publishers looking to expand their expertise, as well as by system integrators and outsourcers. Acquisition of TEM vendors by larger companies is ultimately a good thing for the market. Larger companies have much deeper pockets to support customers' changing service needs and make up for poor service. Some of the riskier consolidation will be among TEM vendors themselves. Once an acquisition is announced between TEM vendors, end users must request meetings to try and understand the strategies that will be employed in the merger of the two companies, including: maintenance of disparate TEM platforms; elimination of roles and employees; and a review of the new organization chart to understand how the management structure will change.

## **10. Good Fences Make Good Neighbors**

Many TEM vendors have become adept at customer life cycle management (CLM). They are able to use the knowledge they have gleaned from managing billions of dollars of expenditure on fixed and wireline voice and data services. Although many TEM vendors can provide world-class negotiation services, Gartner believes it is wise to have separate TEM vendors for contract negotiations and ongoing TEM services. Gartner does believe that companies should look to TEM vendors to create tenders and service levels that are put out to carriers to bid for, as well as benchmark pricing and negotiating, but negotiations should be done by an objective third party or the enterprise itself. There are a number of third-party firms with deep expertise in contract negotiations. Should the TEM provider solicit for the telecom contract negotiation business, then Gartner suggests that the TEM vendor fund a benchmark review of negotiated contract results, funded by the TEM vendor and performed by a third party agreed to by the end user. The penalties for falling below industry benchmarks should be identified.

### **RECOMMENDED READING**

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

"MarketScope for Telecom Expense Management, 2H06"

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