



Telecom Expense Reduction

*Easy tips for small and medium size businesses
to save on monthly telecom expense*

TELECOM EXPENSE REDUCTION

THE PRACTICAL TIPS GUIDE TO SAVE MONEY ON TELECOM

INTRODUCTION

Telecom is an important part of any business nowadays. Both large and small companies typically use a wide variety of telecommunications-related services. All these different services combined add up to a significant portion of a business' cost of operation.

In today's environment, a company's telecom spending does not stop with a simple phone line and an email account. Take into consideration all the local and long-distance phone services, toll-free numbers, mobile and wireless services, internet, email, conference services, inter-office networks etc.

Using this many network and telecom services invariably adds up to a **substantial expense** for most businesses. In fact, according to research conducted by the Aberdeen Group a few years back, average small to medium businesses spent about \$26 million a year while an average Fortune 500 company spent about \$116 million a year on telecommunications alone.

Even more revealing was the fact that out of those costs, nearly 7% to 12% were in error. If you do the math, you will find that for a small or medium business enterprise, this translates into costs of \$2 to \$3 million that can easily be saved every year.

Further, according to the IDC Research Group, telecommunications costs are on average not only the second largest indirect expense, but also the third or fourth largest expense overall for a business.

With this in mind, here follow 15 tips aimed at helping businesses develop a strategy to reduce their telecom costs. As the telecom industry is moving fast, this report is regularly updated.

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EMPLOY NEW TECHNOLOGIES TO REDUCE COSTS

A business has to be continually aware of the emerging technologies in telecommunications and study how these can be leveraged to reduce their telecommunications costs.

For example, using VoIP over an IP-PBX system can lead to substantial savings. With an IP-PBX you are able to make VoIP calls just as if you were using traditional phone lines. And even though calling a phone – mobile or landline – through an IP-PBX involves a certain fee, this is significantly less than the international call charges that the company would have to bear were they made over the traditional phone networks. Often Inter-office calls are free when both locations use the same carrier product.

AUDIT TELECOM BILLS

One of the most basic steps every company can take is to carry out a complete audit of all the telecom services that are being used. This would include auditing all the cellular and landline bills as well as tariff audits. This will help in understanding what services are no longer used or are less frequently used so that they can be disconnected without any problem.

Further, an audit of this nature brings to light billing errors like services not being billed according to the contract, services that have been disconnected but are still being billed or services that were meant to be disconnected but have still not. It is important to follow up and recover the credits from the carrier for these kinds of billing errors and late disconnects.

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USE THE SERVICES OF A TELECOM MASTER AGENT

One of the best ways a business can ensure that it is receiving the most robust and cost effective solution is to work with a telecom master agent that represents a variety of carriers offering services such as commercial long distance and local phone service, high speed internet access, data services or even integrated voice and data services.

A master agent first understands the telecommunications needs of a business and then works within the carriers it represents to offer a host of solutions that will fit these needs while keeping the budget of the company in mind.

Customers have a chance to see who is offering more services for the same price or who can offer the same package for a better price. They may also get better terms on early termination charges and service-level agreements. Even if the present carrier has provided satisfactory services, it makes more sense to renegotiate the contract so that the company can get a better deal on plans and rates.

Master Agents build strong, long-lasting relationships with both customers and carriers through their experience, objectivity and performance. They are aware of the different promotions the various carriers are running, know the pros and cons of each carrier and can make an impartial comparison.

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CHOOSE THE OPTIMUM NUMBER OF CARRIERS

Choosing fewer carriers - even a single one, to meet all the telecom needs of a company may seem like a good idea as the company may have greater power to negotiate terms and tariff. However, this may not be prudent because for one, it is always good to have one or more carriers as backup in case of some major failure on part of one carrier.

Secondly, the presence of more than one carrier may, in fact, provide the company better terms and finally, a single carrier may not be able to meet all the needs of the company. A business should choose the optimum number of carriers that will safely cover all their telecom needs, at all times, at the best price.

On the other hand, bundling several services with a single carrier can sometimes result in a lower price.

ANALYZING THE NETWORK AND OPTIMIZING THE SYSTEM

Some of the greatest cost savings for a business can come from analyzing and optimizing all the lines and circuits currently in use so that they can be used to their maximum efficiency. This can be done by consolidating multiple narrow bandwidth lines - like the separate lines used for Internet access, PC connections to the Intranet and internal applications, the switchboard, credit card readers – into a few higher bandwidth lines.

On the other hand, some companies, based on the plan they have selected may have many smaller circuits that are not being fully utilized. In such a case, the best way to optimize the circuits may be to migrate some of the high cost, higher-capacity circuits to these smaller circuits.

MONITOR USAGE

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A company should always be reviewing the services it is using as also associated usage of those services, to try and renegotiate the plans so that it can get the maximum features for the cost of the services. A company may have grown or needs may have changed since signing up for a plan with a carrier and it may find it more suitable to go in for a different plan or a package with more cost savings.

Further, it is necessary to assign proper usage and costs to specific departments within a company. For example, the sales department may have higher usage and costs than say the data processing department. Whenever a discrepancy in the usage is discovered, a thorough investigation is to be carried out so that errors can be quickly detected and rectified.

CHANGING WORKING PRACTICES

With great advances being made in telecommunications technology, employees no longer have to travel but can use facilities like web conferencing, for instance, to communicate with both clients and colleagues. This allows the company to use its employees more efficiently as well as save on the typically high telecom costs incurred while traveling.

MAKING EMPLOYEES AWARE OF PROPER USAGE

Employees can be made aware of cost saving methods that they can use with company phones, like using the company toll-free number while calling in from a company cell phone or not using cell phones which have credit cards.

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USE TELECOM EXPENSE MANAGEMENT SOFTWARE (TEM)

Businesses can consider using specialized software, called Telecom Expense Management software, to analyze not only telecom bills but also rates and plans as well as to compare various vendor offerings.

Using TEM, a business can automate most telecommunications management functions like auditing bills, price comparisons, cost allocations, inventories and so on.

OUTSOURCE TO EXPERTS

Another alternative is for businesses to outsource to experts who specialize in telecommunications analysis and cost management, thereby achieving better results at lower costs.

TAKE BENEFIT OF DISCOUNTS AND REFUNDS

Often, due to lack of time or adequate manpower, companies are not able to follow up on credits due to them for previous errors, or on penalties payable to them for unsatisfactory services or they are not able to take the benefit of discounts introduced by telecommunications companies. Tracking these credits and discounts to ensure that the company gets the full benefit will lead to cost savings.

If you don't have the resources to regularly measure network performance in order to determine if the network meets the Service Level Agreement (SLA), you may be leaving money

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on the table. In such a situation it may be beneficial to choose a carrier who automatically measures the performance and pro-actively gives you credit.

HAVE AN ACCURATE INVENTORY OF ALL LINES AND CIRCUITS

A business needs to have a complete inventory of the number of lines and circuits they have, how they are being used, and what they are being charged for those resources. Understanding the details of various lines, the features and functions of all lines and circuits as well as tracking usage can be complex but is necessary to ensure that the company is being charged only for the correct number and correct usage of lines and circuits. Often when a company grows and evolves, old services remain active even while no longer being used.

MAKE OPTIMUM USE OF EXISTING LINES AND CIRCUITS

Another way of saving telecom costs is to optimize circuits so that they can be used to their maximum efficiency. This can be done by consolidating multiple narrow bandwidth lines - like the separate lines used for Internet access, PC connections to the Intranet and internal applications, the switchboard, credit card readers – into a few higher bandwidth lines.

On the other hand, some companies, based on the plan they have selected, may have many smaller circuits that are not being fully utilized. In such a case, the best way to optimize the circuits may be to migrate some of the high cost, higher-capacity circuits to these smaller circuits.

DETECT ANOMALIES IN USAGE AND COSTS

To easily spot problems in telecommunications usage, it is necessary to assign proper usage and costs to specific departments within a company. For example, the sales department may have higher usage and costs than say the data processing department.

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Whenever a discrepancy in the usage is discovered, a thorough investigation is to be carried out so that errors can be quickly detected and rectified.

One example is that of a company where employees stopped using the pagers handed to them by the company, however the company neither returned them nor did they request the service to be discontinued and continued to pay for 2 years before someone noticed.

RENEGOTIATE PLANS AND FEATURES TO SAVE ON COSTS

A company should always be reviewing the services it is using and try to renegotiate the plans so that it can get the maximum features for the cost of the services. A company may have grown or needs may have changed since signing up for a plan with a carrier and it may find it more suitable to go in for a different plan or a package with more cost savings.

RENEGOTIATE CONTRACTS TO GET BETTER DEALS

When it is time for renewing a contract, businesses should make their contracts competitive instead of just automatically renewing their present contract. They can request various carriers to provide details of specific plans or packages the company is interested in and ask them to quote a price for those services.

This way a comparison across carriers can be made to see who is offering more services for the same price or who can offer the same package for a better price. In fact, as the carriers become aware of the competition for the contract, prices do tend to improve.

They also offer better terms on early termination charges and service-level agreements. Even if the present carrier has provided satisfactory services, it makes more sense to renegotiate the contract so that the company can get a better deal on plans and rates.

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CONCLUSION

It is easy to neglect the cost of telecom in a business, yet all services combined add up to a significant portion of the overall cost of operation. By being aware of this fact, you have already gained a competitive advantage.

If you have any questions or need help implementing some of these strategies, please feel free to contact us at telecom@cuttingcost.org

We hope you have enjoyed this report and hope that it will be beneficial to you. If you are interested in future updates, please visit website.com

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