



Comprehensive Wireline Cost Reduction Services

## **The Art and Science of Wireline Expense Management**

---

Best Practices That Are Proven to Yield Significant and  
Long-Term Cost Reduction

## **The Bad and Good News About Telecom Costs**

It's a well-known truth that telecom is one of the top five business expenses today, costing the average Fortune 500 corporation over \$100 million annually. But before you chalk it up to the sheer "cost of doing business," consider this: according to Gartner, 8-12% of telecom invoices are erroneous—typically in the carrier's favor. This is further compounded by a severe lack of internal controls, leading to even more waste and abuse. The end result is that most medium- to large-sized organizations are forfeiting millions each year in wasted telecom spend.

The good news is that by proactively managing their telecom expenses, companies can get a better grip on their budget and significantly defray costs. One area that tends to be overlooked when it comes to cost reduction is the wireline network. By adhering to a comprehensive set of best practices in managing fixed line spend, businesses can easily realize a yearly savings of 20-25%—savings that can then be reinvested into critical revenue-generating activities.

## **Wireline: An Oft-Overlooked Savings Opportunity**

Although traditional wireline voice usage is in decline as more companies and users switch to VoIP and mobile communications, landline, voice and data expenses still represent a large chunk of the telecom budget. Furthermore, it's an area ripe with cost savings potential. Below are just a few of the reasons why:

- Changes to business are not always reflected in the wireline infrastructure, and a company inevitably ends up paying for services and lines it no longer needs.
- Visibility into wireline charges is poor due to legacy carrier billing systems.
- Wireline is a highly competitive service with the potential for constant price reductions.
- The carrier's billing is "open," meaning that third-party vendors are free to tack on frivolous charges as long as they have the company's account number.
- Billing is often decentralized, leading to an inability to leverage volume purchase discounts, monitor contract compliance, and detect wayward spending by employees.
- Most companies lack the time and resources to validate charges on invoices and file carrier disputes, leading to perpetual overpayments on erroneous services and fees.

## **TEM and Audit Firms: Help in Taming the Telecom Beast**

Given the sheer magnitude of wireline expense management, it's no surprise that many organizations look to outside firms for help. Indeed, companies that claim to specialize in **telecommunications expense management (TEM)** and **telecom auditing** have all but saturated the marketplace in recent years, and because they provide initial savings and a solution to processing invoices, they appear to be an answer to organizations that are overwhelmed with invoices and high costs.

However, there is a certain science to wireline expense management, one that still eludes the majority of TEM and audit firms today. Prior to selecting a TEM partner, a company should question the validity of that firm's approach to reducing wireline costs. Does it merely scratch the surface, yielding impressive yet fleeting savings? Or does it peel back the complex layers of wireline spend, one by one, to unearth hidden cost-cutting opportunities and set the stage for long-term expense reduction?

## **Two Approaches to Wireline Cost Reduction: Which Yields the Greatest ROI?**

Although many firms share the TEM label, it has become clear that not all practice telecom expense management in the same way. Two distinct approaches have emerged, each relating to the breadth and depth of processes a firm uses to optimize a client's wireline network and spend. For businesses, the key difference lies not only in the degree of savings ultimately attained, but also the sustainability of those savings. These two approaches are outlined below.

### **The “Most-Practiced”: Auditing and Invoice Processing**

This approach is utilized by most TEMs and incorporates an array of managed services to relieve administrative burden. These services may encompass invoice processing and validation, inventory and contract management, and dispute resolution and include the following activities:

- Create a baseline spend from invoices.
- Aggregate billing data with specialized software tools.
- Obtain electronic feeds and paper invoices to process and pay invoices.
- Flag variances based on previous billing.

TEM firms are often successful in eliminating “low-hanging fruit” such as obvious billing discrepancies and incorrect rates, and under the best circumstances, they deliver annual savings of 8-12%. However, while the initial savings seem impressive, the approach is missing one critical step, which is identifying services by site to ensure they meet the needs of the organization.

As mentioned, a company's telecom network is typically not kept in tune with the evolution of its business and/or technology upgrades, and the TEM process relies on a deeply flawed foundation - provider's invoices. The fact is TEMs fall short on critical components and focus exclusively on invoice processing and cost allocation and therefore, all of the potential cost reductions are never achieved.

### **The “Best Practice”: Reengineering and Optimization**

A far more comprehensive approach to telecom expense management provides both immediate and long-term savings, yet is utilized by few TEM firms. The key components are a site-by-site inventory, a comprehensive analysis of data, and proven processes designed to identify waste and validate services.

The disciplines involved with this approach are many, but they deliver the maximum results. The phases of the “best practices” outlined below are proven to deliver maximum savings, provide visibility, and maintain costs going forward.

## **Phase 1: Data Collection & Baseline Inventory**

***A detailed and expansive data collection methodology identifies all services and costs by site and provider.***

The data collection process aggregates and cross-references information from multiple sources, which include but are not limited to:

### **Customer Service Records (CSRs):**

Provide line-level and site-specific detail not found on invoices, such as: service address, unit cost, contract terms, long-distance carrier, etc.

### **Invoices:**

Summarize spend, taxes, FCC costs and third-party charges.

### **Contracts:**

Outline terms and costs by product type and are used to validate charges.

### **Site list:**

Cross-references the inventory to ensure there is no billing for closed and/or invalid sites.

### **AP General Ledger:**

Validates that all accounts and costs have been captured.

The process of collecting all of the necessary information pertaining to a client's wireline network can be time-consuming and labor-intensive, and requires diligent follow-up on the part of the TEM firm. Once all of the source data has been obtained, a baseline inventory is built for the initial audit and optimization.

## **Phase 2: Audit of Service Costs**

- ***Identifies billing errors & outdated pricing***
- ***Initiates remediation to correct errors for initial savings***

Data is analyzed and immediate savings are identified, such as contract compliance, third-party charges, mismatched facilities/features and services billed at closed sites.

### **Charges & Contract Compliance**

Each charge is documented and reviewed. If rates do not match the expected charge, a dispute is initiated. Companies often go to great lengths to negotiate competitive rates for local and long-distance services, and often tariff rates are billed and/or the usage is not routed to their preferred carrier.

### **Disconnected Lines & Circuits**

Disconnected facilities often continue billing after requests are made to remove them. Therefore, it is important to review order history, invoices and CSRs collectively.

### **Fraudulent Charges (“Cramming”)**

The Telecommunications Act of 1996 allowed third-party companies to place charges on telephone bills. Unfortunately, this paved the way for numerous companies (“crammers”) to add fraudulent charges on invoices. Once the fraudulent charges are identified, refunds are requested and blocks are put on lines to prevent them in the future. (Blocks are not always successful.)

### **Line Type & Features**

Many providers offer various options for local lines but do not often share or describe them. For example, it may be possible to get a lower line rate for Centrex or measured service. In addition, unnecessary features are often added to lines. These include voicemail, inside wire maintenance, extended calling plans and hunting. Based on the line’s use, a recommendation will be made to change to the lowest possible cost to support the application. It is also not a commonly known fact that you can share DSL lines with fax machines, alarms etc.

### **Closed & Downsized Offices**

Organizations close and downsize sites for many reasons, including consolidation, location, expired leases, and migrating workers to home offices. This obviously saves on real estate and other operating expenses. However, there is quite often no internal procedure to notify the departments that can cancel the telecommunications facilities and/or the AP team, which processes the invoices.

**An audit must go beyond reviewing invoice totals.**

---

## **Phase 3: Optimization**

- ***Ensures services billed are active***
- ***Identifies unused/unnecessary facilities***

Site demographics such as type of business, number and function of employees, and hours of operation are captured. This information is crucial to identifying the requirements for each site. Leveraging the extensive inventory, an optimization is done to confirm that services are active and correctly configured. This review includes:

### **Local Lines/Circuits**

Identify unnecessary lines by reviewing usage, performing ring tests, and/or with a site visit to tone and tag facilities.

### **Data Circuits**

Data circuits are reviewed for contract compliance, service address and capacity. Companies often negotiate special rates on the data networks, only to find that they are not billed correctly. Data facilities are often upgraded, yet the previous technology continues to bill.

## **Site Visit**

It is sometimes necessary and prudent to dispatch a technician to complex sites and/or to confirm alarms and modems.

---

## **Phase 4: Equipment Inventory & Contracts Review**

In this phase of the “best practices”, information captured from the technician’s site visit is utilized to evaluate the manufacturer and capacity of the PBX. This data is then compared to the telecom facilities and analyzed for the following:

### **Hardware Reuse:**

Hardware that is not needed at one site can possibly be redeployed at another location to avoid the costs of additional hardware.

### **Maintenance Contracts:**

By identifying overcapacity, you can “true-up” a contract and reduce the maintenance costs. For example, if a maintenance agreement is based on 800 ports and the office now requires 300, the maintenance contract should be adjusted.

### **Maintenance History:**

Hardware vendors sell maintenance agreements, describing them as an insurance policy and claiming they are necessary to provide service in a timely manner. However, it is often found that these services were not used in several months and therefore these costs can possibly be reduced or even avoided. It is sometimes recommended to renegotiate a T&M agreement with specific response times, even if the “hourly rate” is higher.

---

## **Phase 5: Acceptance & Implementation**

The end result of a site-by-site analysis is a detailed report summarizing each cost-saving opportunity, such as “disconnect, change line type, re-rate, suspend,” etc. As approvals are received, orders are placed and tracked through completion, savings are documented and the inventory is updated.

Changes to voice and data services require experience, expertise and coordination by a detailed-oriented team to ensure they are performed properly by the provider, without impacting the business. This alone is a challenging task. There is also an art to obtaining maximum credits to ensure they cover the span of the billing error.

## **Phase 6: Billing Consolidation & Centralization**

- **Cost control**
- **Establish charge-back processes**
- **Implement volume discounts**

Beyond the hard-dollar savings from the inventory and audit process, there are tremendous soft-dollar and operational benefits to consolidating accounts. This process identifies key providers and creates a minimal number of master accounts (invoices). Paper invoices are converted to electronic media when possible and provider portals are improving daily.

### **Conclusion**

Wireline optimization and infrastructure design is a mature craft that should be handled by seasoned professionals. Reengineering the highest-performing infrastructure requires the right experience and expertise as well as a standardized set of processes to create and maintain a cost-effective environment. It should allow for the following capabilities:

- Gain critical insights with centralized data and management
- Negotiate competitive contracts
- Maintain a complete and accurate inventory, by location
- Ensure invoice accuracy
- Enable costs allocation – “cost of doing business”
- Provide ability to create accurate budgets and forecast costs

The strength of the “best practice” wireline cost reduction program lies with the rigorous and detailed methodology used to build site-based inventories and identify savings opportunities above and beyond traditional TEM companies.

### **Ongoing Proactive Management**

For the purpose of ongoing cost control and management, the TEM or audit firm should ideally provide each client with a web-based inventory portal that provides visibility into their wireline network as well as their savings progress. This portal should offer a clear, centralized view of the wireline assets at every physical location--information that cannot be obtained from a master invoice or invoice processing tool. It should also provide order management to enable updates to the inventory.

The portal includes:

- Site-by-site inventory of accounts, services, costs and end use of each line/circuit
- Contracts visibility, billing dates and addresses
- Site demographics
- Ability to request and track provisioning activity (moves, adds, changes, disconnects)
- Access to order information, including provider, order #, dates and confirmation
- Customized business intelligence tools for reporting, budgeting and analysis

---

### **About GSG**

GSG has enabled some of the world's leading brands to realize millions of dollars in savings on their annual telecom spend. The strength of our Wireline Cost Reduction Program lies with the rigorous and detailed methodology utilized to build a clean, site-based inventory and locate cost take-out opportunities above and beyond the TEM firms.