



EXTRACTING VALUE FROM TELECOM SPENDS: A FEW— BEST-PRACTICES

Abstract

Even as the telecom industry grows and evolves at a hitherto unimaginable pace, sourcing and procurement processes for the telecom category are not up to speed in many organizations. This paper lays out several pointers to help extract the maximum value while sourcing equipment or services for today's telecom needs.



The expanding telecom category

These days the telecom category of spend management has expanded and evolved significantly. From the early days of wired devices transferring only voice and sometimes data, today there is widespread adoption of Voice Over IP (VoIP) and the Internet of Things (IoT). Resultantly,

there is a proliferation of wired and wireless devices that use the internet to communicate audio/voice, video, and data.

Further, many businesses today are leveraging collaborative software tools (i.e. WebEx, Skype for Business, and so on) that have voice, data, and video capabilities,

often through apps on smartphones and tablets, and other devices. Network related equipment, accessories, services, and systems can also often be bundled into this category as well, depending on market conditions, pricing, or client requirements.

Initial analysis for key data

To gain the maximum value out of telecom spends, conducting interviews and in-depth inquiries are critical for an accurate understanding of current and future requirements. The typical key data requirements for telecom services include supplier RFIs, contracts and AP spend data as well as stakeholder lists.



Pulling at the procurement levers

When it comes to cost containment and cost reduction, leveraging third party service providers and value added resellers rather than OEM's for hardware, accessories, and maintenance can often yield significant savings. In such cases, ensuring proper service level agreements that are tied to penalties is key to making

sure of getting the quality of service paid for.

It is imperative for organizations looking at reducing spend and controlling costs to have category or commodity experts who can work with stakeholders to extract their requirements. Such experts must possess

deep domain expertise and know which procurement levers are effective to use in the telecom category. Here are a few such levers spanning three areas of focus: sourcing, category management, and demand management.

Sourcing

- Reviewing and consolidating supply arrangements with one or two suppliers. These providers must be shortlisted depending upon service delivery capability and geographic presence or coverage
- Working with suppliers to have legacy amended contracts 'pulled forward', updated, and consolidated to make it easier to understand services, terms, and conditions that may have changed over time
- Setting up competitive bidding (e.g. data, mobile) given there are a range of genuine competitors in the marketplace



Category Management

- Ensuring spend is tracked against services delivered
- Ensuring compliance with rates and fee structures
- Ensuring KPI and SLA reviews are conducted and enforcing a performance/non-performance regime

Demand Management

- Reviewing reports and managing demand for the services consumed
- Reviewing lower cost alternatives or completely eliminating the need

Measuring procurement performance

More transparent performance rules will provide incentives for continuous improvement or service credits for poor performance. Below are the key elements when measuring performance across the telecom category.



Budget Performance



Business Goals / Mission



Cost Avoidance



Customer Satisfaction



KPI compliance



Performance Measure



Product Quality



Productivity



Redundancy



Schedule Performance



Supplier Innovation



Keeping costs in check with TEM

Telecom expense management (TEM) is a process to manage, audit, and optimize wireless, voice and data environments

while keeping the operating costs down. Often early adopters see savings upwards of 25-30% through various levers. Below

are just some of the challenges addressed by implementing a TEM solution.

| Challenge | Description |
|-------------------------------|--|
| Telecom Billing Complexity | Billing is inherently complex given the technology and terminology contained |
| Telecom Vendor Errors | Analysts estimate 7-12+% of telecom billing is in error |
| Labor/Skill Intensive Process | The volume and complexity of the processes involved demand significantly skilled resources |
| Inventory Management | Most enterprises lack clean network inventories, especially if high levels of MACD (moves, adds, changes, deletes) activity occurs |
| Inaccurate Cost Allocation | Given the complexity and lack of clean inventory, cost allocation is often performed using macro methods |
| Competitive Environment | Vendor and billing management is challenging due to telecommunications carrier environment (mergers, commoditization, etc.) |



Picking the right TEM delivery model

Telecom expense management (TEM) delivery models often involve software solutions, consulting, BPO, as well as hosted application services. The prime

focus of these models is consolidation of invoice receipts and bill payments along with asset inventory, ordering, tracking, management and reporting of services.

Below is a breakdown of three different TEM delivery models.

| Provider Delivery Model | Service/Solution Description |
|---|--|
| Licensed TEM Software | TEM software is licensed by the client; process, hardware, and software are owned and operated by the client |
| Hosted Software & Managed Applications (ASPs) | Vendors configure, maintain, and support expense management hardware and software which they host; periodic reports are provided to management. |
| Full Service TEM | Vendors manage the entire expense lifecycle from sourcing to payment; They leverage intelligent rules-based software for transactional tasks (e.g. invoice processing, validation) |

The way forward

Even as the telecom category continues evolving, there is increasing pressure on TEM vendors to provide holistic services catering to the global IT and communication needs of large enterprises. This growing demand is set to trigger several significant shifts such as the use of automation, managed services, or even the consolidation of vendors through mergers. All these will make the telecom category an interesting space to watch.



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Derek is a Senior Global Strategic Sourcing & Procurement Leader based out of Pittsburgh, Pennsylvania with over 20 years combined industry and consulting experience across many Fortune 500 companies. He is responsible for driving activities such as analyzing, managing, and optimizing indirect spend portfolios including delivery oversight with a core domain emphasis on technology hardware, software, and services domains. In addition, he also leads the Global IT Category Council. Derek has broad experience leading solution design, sourcing delivery teams, and category managers across all indirect category spend domains.

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