



WHITE PAPER

Reducing Telecom Costs:

Why Invoice Management Is the Best Place to Start

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Reducing Telecom Costs:

Why Invoice Management Is the Best Place to Start

Telecom Expense Management (TEM) helps organizations take control of their communications networks and reduce telecom expenses. Comprehensive TEM solutions involve many capabilities and processes. Organizations that want to phase in TEM functions over time often start with invoice management to take advantage of the rapid return on investment.

Managing the cost and complexity of communications

With the explosion of wireless, mobile, data services, video conferencing, and other new technologies, the corporate communications network has become more complex and costly than ever. Multiple carriers and service plans create new challenges for efficiently managing invoices and tracking expenses. Difficulty verifying service usage and spending patterns hampers efforts to select optimal service plans and negotiate favorable contract rates. The proliferation of wireless devices and smart phones circumvents traditional methods of call accounting. Managing expenses in this complex environment can be difficult.

Telecom Expense Management (TEM) solutions have evolved to meet these communications management challenges, spanning the entire lifecycle of telecom devices and services. TEM solutions help companies gain visibility into their communications networks and reduce expenses associated with their voice, data, and wireless services and infrastructure.

Comprehensive TEM solutions provide centralized data management and process automation for wireless and wireline sourcing, contract management, ordering and provisioning, invoice and inventory management, and usage and dispute management. Solutions that include business intelligence can analyze usage and spend data to help organizations develop cost optimization strategies for maximum long-term savings.

Depending on the initial state of an organization's telecom expense management environment, a complete TEM solution can generate savings up to 30% and be self-funding within the first year of operation.

Evidence for the value of comprehensive TEM is clear and compelling. But for many organizations that are not prepared to deploy a comprehensive solution, the question is not whether to invest, but which aspect of TEM to address first.



Business Process Functions of Telecom

Software is an enabler for TEM best practices. The entire organization benefits from efficiencies and business intelligence opportunities gained through process automation and centralized data management.

Low-hanging fruit

There are many ways to reduce telecom expenses, but invoice management is an area that offers exceptional hard and soft dollar returns. Invoice management solutions offer significant value precisely because telecom invoices have become so complicated and difficult to process efficiently using traditional methods.

Telecom invoice validation is a key component of invoice management and a vital first step to controlling telecom costs. Invoice validation will expose billing errors and provide the hard data needed to win disputes with carriers, verify that carriers are complying with SLAs, and optimize service plans. Invoice validation ensures that you are paying the right price for the services you actually use.

Invoice management solutions also provide value by reducing labor costs through process improvements. For example, in an on-premise TEM solution, invoice management software can automate invoice routing and review, streamline the process and save time for everyone involved. In a BPO solution, invoice management completely eliminates the need to allocate in-house resources for this time-consuming process, allowing employees to focus on what they do best.

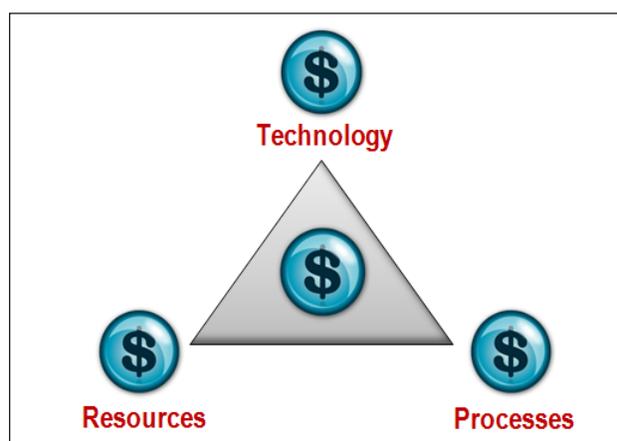
In addition to reducing vendor and labor costs, invoice management collects business intelligence that is central to the effectiveness of broader invoice management solutions.

The unique challenges of invoice management

Today's complex communications networks often include voice, digital and wireless services delivered by separate carriers, under separate contracts. In some cases, multiple contracts with a single carrier compound the complexity of managing these services. For large organizations, telecom invoices can be hundreds or even thousands of pages long.

The length and complexity of telecom invoices make manual processing difficult, time-consuming, and expensive.

The unique challenges presented by telecom invoices include:



Invoice management is one of the key components of TEM. With TEM-enabling technology, resources dedicated to on-going management of the system and processes businesses can realize significant hard and soft dollar savings.

- Variety of billing formats: Many organizations are not equipped to efficiently handle invoices delivered in paper format and the diverse electronic formats service providers are using.
- Range of line items and inconsistent terminology: Invoices may include any number of different items, such as billing account numbers, circuit charges, service fees and taxes and may refer to these items in terms that vary from one provider to the next. Paper invoices typically provide summary data only; electronic invoices offer differing degrees of detail.
- Charge validation: Multiple contracts, usage plans, complex tariffs and service level agreements must be consulted in order to ensure that pricing is accurate. Pricing is often volume- and time-sensitive, which makes accuracy of billed amounts difficult to verify, especially for wireless services.
- Network inventory changes caused by Move, Add, Change, and Disconnect (MACD) activity must also be taken into account. To verify billing accuracy, invoices need to be validated against changes in services, devices and infrastructure – a tall order in today's complex and increasingly distributed communications networks. Organizations that lack centralized inventory management and procure-to-pay systems will find this challenge particularly daunting.
- Dispute management: The complexity of contracts, services and billing makes it difficult to identify and resolve invoice errors. Furthermore, most carrier agreements include clauses stipulating that disputes must be filed within a limited time (usually three months). Dispute management needs to be handled efficiently in order to gain maximum return on the time invested.

The need for new solutions

When communication networks become complex, invoice and dispute management become difficult. Attempting to meet these challenges using spreadsheets and manual processes can be costly and ineffective.

In addition, organizations overwhelmed by the heavy demands of telecom invoice processing are more likely to overlook billing errors and incur penalties for late payments.

The failure of conventional approaches to managing telecom costs creates opportunities for cost savings. By applying best-of-breed TEM solutions that enforce invoice management best practices, these savings can be realized.

Essential capabilities

Telecom invoice management solutions generate value by providing control over the complete invoice management lifecycle and interface with inventory, procurement, and workflow management systems. Often they are fully outsourced business process solutions, with Web-based real-time reporting, administration, approval routing and allocation. Value-added services include asset management, vendor management, and contract management.

The key technology enabler for effective telecom invoice management is centralized data

For a comprehensive telecom invoice management solution to be successful, it must include processes and policies focused on managing the wireless segment of the network.

management. Process optimization requires automation and integration of invoice, allocation, inventory, work order, procurement, contract, and accounts payable systems. Where these data sources exist in separate silos and are managed by multiple applications – as is the case in most organizations today – the ability to implement an effective invoice management solution will be limited.

Electronic invoice processing

Invoice management solutions are effective to the degree that the data is made available in electronic form. Invoices received in electronic form can be processed more rapidly, accurately, and at lower cost than paper invoices. Electronic invoices can also provide levels of detail that are critical for thorough and accurate analysis, validation, and allocation. Not all telecom service providers provide electronic invoices, and those that do use a variety of formats. Consolidating and normalizing the data is therefore not a trivial process.

When all invoice data exists in a common database, and in a common format, invoice management software can compare charges by service, month, carrier, or other category to reveal trends and identify opportunities for cost savings. New service and equipment charges, as well as any increases in taxes or surcharges, can be flagged automatically. Company usage policies (regarding text messaging, content downloads, etc.) can be monitored. Reporting and sharing invoice data becomes more manageable. Validation, approval, and dispute management tasks can be streamlined through workflow automation, reducing labor costs and mitigating the risk of incurring late payment penalties.

Organizations that lack the technology and expertise to electronically process electronic invoices in-house can outsource this business process to TEM solution providers who specialize in it. This arrangement offers the added benefit of reducing internal labor costs. BPO providers can perform payment of approved charges, replacing the multiple telecom invoices previously received by the organization with a single invoice from the BPO vendor for the aggregate charges. In these solutions, customers should retain full system access to monitor performance, provide approvals and generate reports as desired.

Invoice validation

The value of reviewing invoices for accuracy before paying them is self evident. But for organizations that receive hundreds or thousands of telecom invoices every month, validating every charge on every invoice is a time-consuming and costly process. Solutions that enable efficient invoice validation generate tremendous value by reducing labor costs, eliminating overpayments, and reducing late payment penalties.

To fully verify the accuracy of invoices, charges must be validated against a number of criteria:

- Usage – Were the services billed for actually consumed? Call accounting systems collect Call Detail Record (CDR) data off the telecom switch that can be used to validate costs reported on the carrier invoice. However, wireless services, which account for an increasing percentage of telecom spend, do not provide this kind of activity log. For this reason, validation of usages is typically based on charge thresholds. Any carrier charge that exceeds defined limits is automatically flagged and entered into the dispute management system.
- Contract terms and company policies – Rates applied to delivered services, as well as taxes and other charges, should be validated against terms defined in the carrier contract. Charged activity should also be checked against company policies governing appropriate use. For example, downloading games to a cell phone may be a valid carrier charge, but it may not be consistent with your organization's internal policies. Enforcement of appropriate use policies can reduce future telecom costs by modifying the behavior of your work force.
- Inventory and MACDs – In complex communications networks, the inventory of services in effect and the technology deployed are constantly changing. Wireless services, in particular, can change on a daily basis. Invoices from telecom providers must be validated against what is essentially a moving target. Systems that validate invoices against inventory in real time can immediately identify charges for technology that is not being used or for services that have been – or should be – discontinued.

Dispute management

Dispute management is the “business end” of invoice validation. An automated dispute management system can help you quickly and efficiently work with the carriers to achieve credits and/or corrections for discrepancies identified during the invoice validation process.

Best-in-class dispute management systems include an automated workflow component that provides full lifecycle tracking of the disputed charges, including disposition, amount recovered, important dates, and more. They include flexible, online reporting that provides real-time status of invoices and disputes, and can generate reports by vendor, invoice type, account, service, or other categories to facilitate review and resolution.

While software support is essential for managing disputes, best practices include a service component that involves regular communication with your carriers. It's important to understand the subtle differences between your carriers' business practices and to how to work most effectively with each to ensure rapid dispute management. For example, some carriers will penalize you with late payment fees for short pay and no pay strategies, compounding the amounts in dispute and possibly delaying resolution. By processing invoice payments in parallel with dispute management, you can avoid late payments entirely while disputes are processed and resolved.

Wireless management

Wireless communication is a boon to mobile productivity and confers competitive advantage on organizations that employ it effectively. Use of wireless devices and services – and the portion of corporate telecom spend it represents – is growing rapidly. And yet wireless spend is the least well managed and controlled of all categories of telecom spend, owing in large part to decentralized procurement and service plan policies, lack of usage audits, and poor enforcement of corporate appropriate use policies.

For a comprehensive telecom invoice management solution to be successful, it must include processes and policies focused on managing the wireless segment of the network. The deployment and operation of wireless management services may differ from those set up to manage the rest of the communications network, and may run in parallel to those services. Best-of-breed wireless management solutions include the following services:

- Definition and documentation of best practices for cost accounting, procurement, cost allocation, and other wireless management processes
- A procurement system to manage device inventories, control procurement, and prevent unplanned cost escalation
- Contract management services to assist in negotiating the best possible contract terms with each wireless carrier (domestic and international)
- Network optimization to ensure that negotiated rate plans strike the right balance between cost and performance based on the way the organization uses wireless services
- Help desk services to provide the end user community with advanced technical support for all devices deployed in the wireless program

Good wireless management also depends on wireless invoice management, which provides visibility into usage and alignment with expenses, validates invoices, enforces company policies, and manages disputes. Effective wireless invoice management solutions should incorporate:

- Historical review of wireless communications services and expenses to identify opportunities for improvement and set benchmarks for measuring future savings
- Monthly audits of billing statements – summary and exception reports to identify errors and inaccuracies
- Monitoring and enforcement of company usage policies
- Contract management, to ensure delivery of contracted carrier services, including upgrades, discounts, and warranty services
- Asset management, to process provisioning requests and other MACDs

Contracts based on minimal annual revenue commitment can prove costly if the minimal usage is not met, or if you negotiate for terms based on less than your actual usage levels.

Contract negotiation and optimization

While not typically considered part of invoice management, negotiating favorable rates and selecting service plans that match usage needs are powerful ways to reduce telecom spend. The spend and usage data collected for other invoice management efforts provide valuable business intelligence that can be leveraged to reduce present and future telecom spend.

Invoice processing provides you with the information most important in negotiating carrier contracts and selecting wireless plans: the way your organization actually uses telecom services. Invoice management solutions with spend analytics capabilities can help you analyze this information and project future requirements and costs. Armed with this information, you can enter negotiations knowing exactly what you need, and what you can afford to leave on the table. You will be able to make informed decisions that result in significant cost reductions – such as moving to pooled plans or limited wireless data services – without jeopardizing overall quality of service.

Invoice data can also help you avoid over- or under-usage. Contracts based on minimal annual revenue commitment can prove costly if the minimal usage is not met, or if you negotiate for terms based on less than your actual usage levels. Monthly audits, based on invoice data, can help you identify trends and determine where you are with respect to optimal usage levels. Identifying usage trends month over month can help you “load balance” usage across services to optimize use of available contracts and carriers.

Conclusion

Comprehensive TEM solutions have been shown to be highly effective in reducing telecom costs, generating strong ROI and paying for themselves in less than one year of operation. Invoice management is a cost-effective solution that can serve as the cornerstone of a broader TEM system deployed over time.

An invoice management system encompassing electronic processing, invoice validation, dispute management, and contract negotiation can generate immediate hard dollar savings, such as elimination of overcharges, as well as long-term savings resulting from stronger contract negotiation and compliance. Invoice management provides business intelligence that can be leveraged in multiple ways to help organizations understand and control their telecom usage and spend.



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ABOUT CALERO

Calero Software is a leading provider of Communications Lifecycle Management solutions with a deep commitment to innovation and customer service. Calero's CLM Suite supports the full communications lifecycle (from procurement to payment) including software/services that aid Telecom Expense Management (TEM), Managed Mobility Services (MMS) and Usage Management. Calero has thousands of customers in the United States and more than 40 countries worldwide, including Fortune 1000 corporations, universities and government agencies. For more information, visit us at www.calero.com or www.call-accounting-solutions.com, or call 585.381.6000.