

Insights into Enterprise Telecom Expense Management

Trends and Best Practices



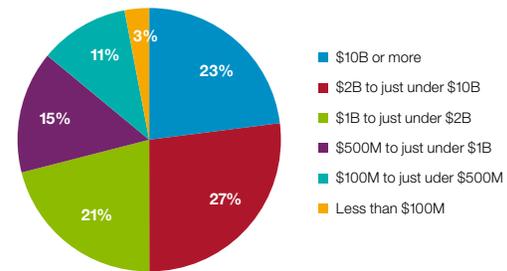
Introduction

In late 2013, CCMI conducted a cross-industry survey of 100 executives primarily from Fortune 1000 companies, 71% of which have annual revenues of \$1 billion or more, to gauge the current state, and future direction, of the Telecom Expense Management (TEM) market. The C-Suite - Chief Information Officer, Chief Financial Officer and Chief Procurement Officer – along with IT management represented the majority of respondents. All respondents have annual telecom expenditures in excess of \$5 million.

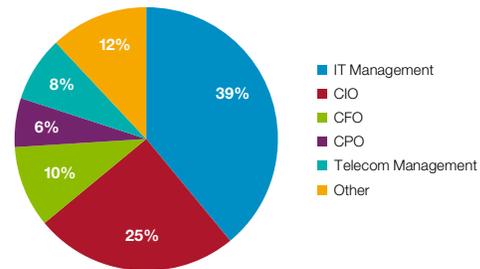
The survey yielded a wealth of information on penetration levels, procurement practices, and key performance metrics and planned TEM investments, and defined a market with three telling characteristics:

1. TEM is now a mature, widely accepted corporate “best practice”.
2. TEM solutions, properly implemented and managed, deliver sustained and measurable financial and operational benefits.
3. TEM is a dynamic discipline that demands constant evaluation of vendor performance, technology platforms, emerging requirements and vendor capabilities.

Annual company revenue of respondents



Respondent job functions



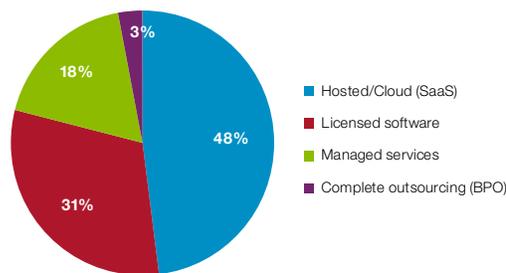
The TEM Market: A Snapshot

The survey results revealed a fully mature market, with 94% of respondents having a TEM solution(s) in place and the remaining 6% indicating they had plans to implement a TEM solution within the next 18 months. 62% of respondents reported their TEM solution had been installed for at least 3 years with just 9% having implemented a TEM solution in the past year, further evidence of a mature – yet still vibrant – market.

Interestingly, 62% with installed TEM solutions reported using three or more TEM vendors to fully meet all of their requirements. A number of factors are in play here. First, the rapid growth of mobility and the associated Bring Your Own Device (BYOD) and Machine-to-Machine (M2M) phenomena are relatively new trends, and most legacy TEM solutions were designed to address primarily traditional wireline telecom expenses. As the demand to better manage mobile expenses grew, enterprises acquired TEM systems that addressed these specific requirements. Second, mergers and acquisitions – driven in part by the 2008 economic downturn – require the development of a comprehensive, unified TEM strategy for the combined organization. For many of these enterprises, that simply has not yet happened. And lastly, some firms prefer multiple vendors as a way to both spread risk and induce competitive tension among TEM vendors.

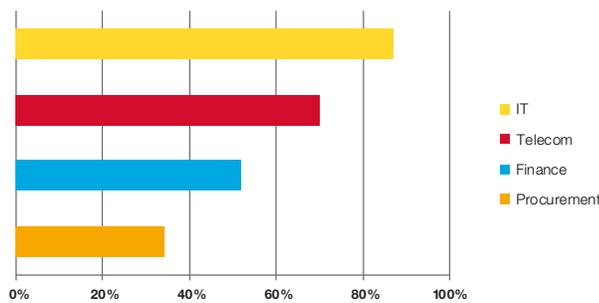
There is considerable churn in the TEM market, with 77% of respondents with installed solutions reporting having changed TEM vendors. Respondents cited three key motives. Technology (architecture or performance of the platform), at 74%, was the most frequently mentioned reason for changing vendors. Although cloud based solutions at 48% were the preferred IT model, there remained a fairly strong preference for licensed TEM solutions at 31%. The next two factors most often given for changing vendors were closely related, project implementation services at 72% and ongoing vendor service and support at 71%. These findings underscore a theme that dominated the survey. Specifically, a solid, well executed implementation plan is the critical determinant of a TEM solution's initial performance while continued vendor support and enhancement over the solution's life cycle is absolutely necessary to sustain that performance.

Service delivery methods



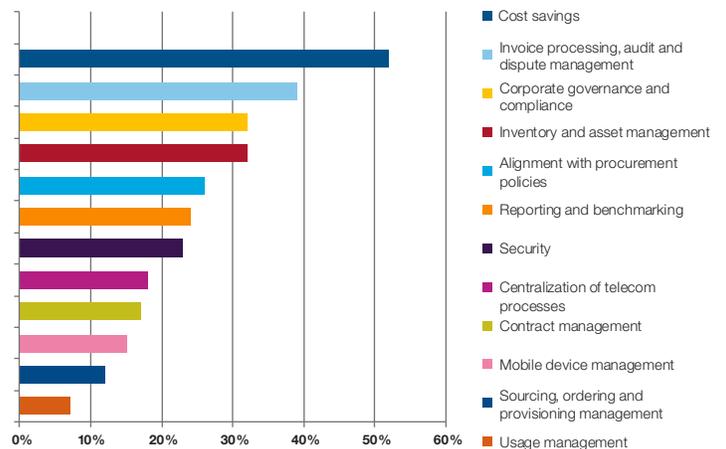
Another consistent survey finding is the influence of enterprise IT organizations. When asked which organization has the primary responsibility for TEM, 70% of respondents answered IT with the telecom organization a distant second at 20%. Likewise, IT was most frequently mentioned, at 87%, when the survey asked about key stakeholders in the TEM evaluation and selection process. However, it is clear that procurement organizations are increasingly becoming an important stakeholder in the selection of TEM solutions, at 34%, along with telecom, at 70%, and finance, at 52%. The emergence of the finance, and more importantly, the procurement organizations as participants in TEM system evaluation and selection is further evidence that TEM is no longer a siloed process, but is increasingly becoming an important part of corporate procurement strategies and responsibilities.

Stakeholders involved in selecting a TEM solution



No two enterprises are exactly alike, and this was very clearly demonstrated when we asked respondents to identify the three most important drivers for implementing a TEM solution. Cost savings, at 52%, was the number one reason cited, but beyond that there seemed to be a range of opinions. Improved invoice processing – including audits and disputes – was mentioned by 39% of respondents, while better corporate governance and policy enforcement, likely driven by BYOD, was mentioned by 34%, and enhanced inventory and asset management was cited by 32% of respondents. In the third tier of drivers were alignment with corporate procurement policies at 26%, again driven by mobile device management priorities, reporting and benchmarking at 24%, and security at 23%. The message is clear: while TEM has its roots in classic expense management, enterprises want and expect TEM solutions to address and solve a much wider range of financial and operational issues, and this expanded scope puts greater pressure on internal procurement processes and externally on TEM vendors.

Top drivers of TEM implementations

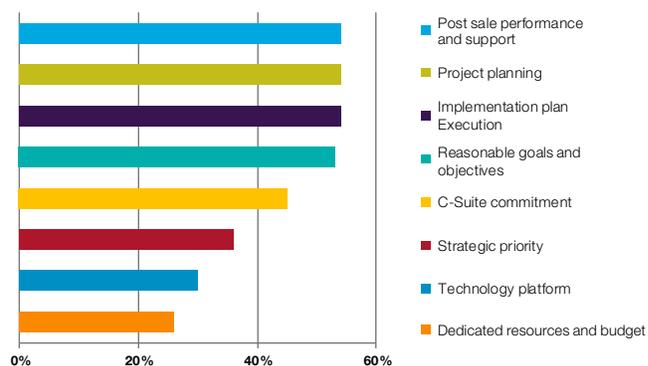


Benchmarks: How your peers measure TEM success

When given three objective measures of TEM effectiveness, namely calculated ROI, absolute cost reduction and reduced headcount, respondents clearly favored “hard dollars” with 80% selecting ROI, 78% naming cost savings and 37% choosing headcount reduction. Using these same three measures, we asked respondents to rate the overall effectiveness of their TEM initiatives. All respondents said their TEM initiatives met expectations, and a majority said their TEM solution exceeded expectations. Bottom line: across the board, enterprises are realizing the results they expect from their TEM implementations.

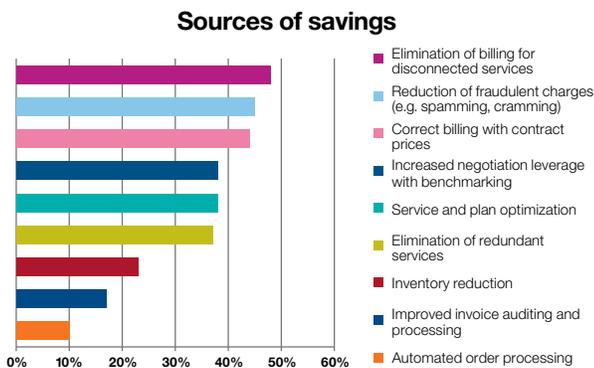
Respondents identified several factors as critical to realizing TEM performance goals, with three specific areas being mentioned equally: project planning, implementation plan execution and post-sale vendor performance and support. Each of these factors was cited by 54% of respondents. Additionally, setting reasonable, attainable TEM project goals (53%), a strong C-Suite commitment (45%), having TEM identified as a strategic corporate priority (36%) and selecting the right IT/technology platform (30%) were all pinpointed as key success factors. These results again underscore TEM’s emergence as more than a narrowly focused cost reduction initiative targeted at classic “low hanging fruit” expenses. Rather, best of breed TEM implementations must be viewed as complex interdepartmental projects that demand flawless planning and execution, top down commitment, rigorous vendor evaluation, and IT technology that is in lock step with overall corporate plans.

Factors critical to realizing TEM goals



Further demonstrating the value of a comprehensive TEM solution is the large number of areas where respondents reported achieving expense reductions. The most fruitful area, at 48%, was the identification and elimination of billing for services that had been disconnected, a classic TEM savings opportunity. The second and third most productive results were reductions in spamming and cramming, at 45%, followed by spotting and correcting incorrectly billed contract rates, at 44%. These three traditional TEM focus areas are not unexpected. However, respondents also pinpointed sizable savings in several other areas: benchmarking spend levels to enhance negotiation leverage, at 38%; optimizing service plans, at 38%; and eliminating unnecessary services and features, at 37%. These results indicate that enterprises are now using TEM solutions not only to identify and correct long standing problems – like bills for disconnected services – but are also using TEM solutions pro-actively to support complex contract negotiations and ongoing contract stewardship.

This broad based approach to TEM pays off in the hard dollar savings that respondents use as the most important measure of TEM effectiveness. The majority, 53%, of enterprises reported savings of 10-20% from their TEM solutions, while 23% achieved savings in excess of 20%.



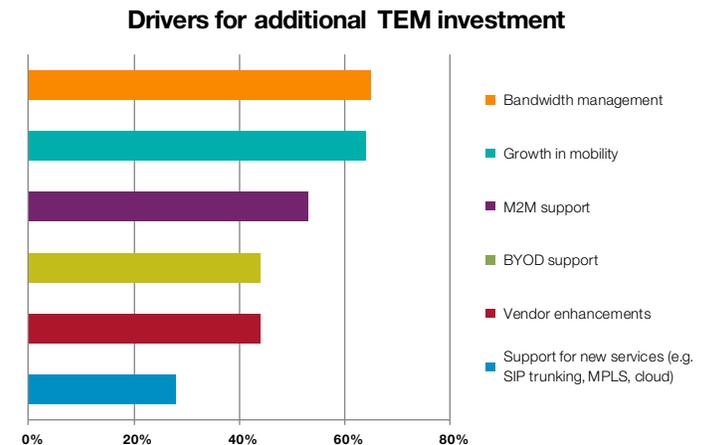
Performance, mobility and the Internet drive TEM investment

Competition for corporate budget dollars is always present, and demonstrated results are the most compelling – and winning – argument. In this regard, the savings TEM solutions generate is clearly ample justification for additional TEM investments. 85% of survey respondents said they planned to make further enhancements and investments to expand the scope of their TEM initiatives. These investments are driven by two broad trends, mobility and the growth in internet protocol (IP) based services.

Respondents identified three mobility related drivers. First, they cited the explosive growth in the use of mobile services at 64%. The second – and most surprising – driver was the increasing need to support M2M devices, identified by 53% of respondents. 79% of respondents with wireless TEM solutions indicated they had a requirement for managing M2M devices. The third driver, not surprisingly, was the growing need for BYOD support. 81% of the enterprises surveyed already had a BYOD policy in place. Additionally, one-half of the remaining 19% said they planned to introduce a BYOD policy.

Bandwidth growth and management was the most often mentioned area for further TEM investment at 65%. Another reason cited for additional TEM investment, identified by 28% of respondents, was expansion of IP based services like session initiation protocol (SIP) trunking, “the cloud” and multiprotocol label switching (MPLS) corporate networks.

These investment areas place a substantial premium on a TEM vendor’s ability to anticipate expanded enterprise requirements, provide enhanced capabilities to address those requirements, and deliver them in an IT platform aligned with the enterprise’s technology strategy.



Conclusions For TEM Success

The survey paints a robust picture of the TEM market, with enterprises reporting sizable savings, a host of operational benefits and plans to continue to invest in TEM solutions. But, these results are only attainable within a structured, disciplined framework that has the following characteristics:

- TEM must be an integral component of an enterprise's corporate procurement and financial strategy, and have the attendant commitment from senior management.
- There needs to be an emphasis on rigorous implementation planning and execution.
- Enterprises must hold TEM vendors accountable and have a willingness to switch vendors if necessary.
- TEM solutions must be dynamic and flexible to accommodate changing enterprise requirements like BYOD and M2M

The following best practices can help you incorporate these characteristics into your TEM strategy:

- Build an internal communications plan to keep your executive sponsors fully informed of the financial and operational goals of your TEM initiative, and then consistently reinforce that message with regular, concise feedback and reports on the results of your TEM deployment.
- Understand the growing role and importance of your company's procurement organization, and ensure that your TEM strategy recognizes the need to work within the framework of your procurement policies.
- Establish training programs that develop and enhance your organization's ability to plan and execute the increasingly complex aspects of TEM.
- Keep abreast of the technologies that drive your company's business and communicate the demands they place on your TEM strategy to your executive sponsors and your vendors.

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