



IntelligentComms

**The market opportunity for a continuous
management service for telecoms spend and
service level management**

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EXECUTIVE SUMMARY

On average, companies spend between 10% and 15% of their IT budget on telecommunications (telecoms). However, contracts are often negotiated haphazardly every few years because the organization may not execute best practice initiatives and may not have access to detailed information about its estate, telecoms usage, or alternative market rates.

Often companies realize their exposure and receive periodic external assistance to undertake an in-depth review and assessment of the accuracy of their inventory and the bills they receive. They claw back some of their money from incorrect billing and application of tariffs and are given the opportunity to eliminate wastage and misuse of assets through improved support and better contract management. However, once this assessment is done the team often disperses, removing the focus and continuity to manage the actions that were needed to achieve all the potential savings.

To manage telecoms properly it is necessary to have a dedicated team that constantly checks and manages contracts and opportunities in detail. It also requires sophisticated supporting software and detailed information on assets and their actual usage, as well as deep knowledge of the current and alternative services, contract and tariff options. With this information organizations would be able to optimize telecoms spend and fully understanding the potential benefits and impact of technology change on their business both of which could potentially save 25% or more of the telecoms budget.

Unlike traditional telecoms expense management (TEM) solutions, the IntelligentComms approach incorporates every part of the telecoms infrastructure and lifecycle, not just the reconciliation of billing records. The approach is far more proactive and looks continually for enhancement of the infrastructure, contracts, and partnering approaches, contributing to a shared base of valuable business intelligence used by multiple clients to improve the effectiveness of their telecoms spend.

IntelligentComms provides a managed service consisting of two main components:

- **The professional services team** – A set of specialist staff committed to the client that continually monitors, manages, and optimizes the use of telecoms assets. The team will undertake as much or as little of the management as the client requires.
- **Veropath** – A software solution, developed in-house over eight years, that acts as the repository and engine which tracks contracts and assets and enables the pricing of telecoms usage against an extensive tariff portfolio.

IntelligentComms clients are strong advocates for the approach.

Finlay Williamson, chief financial officer (CFO) at Virgin Money, said: “Virgin Money expects to save between 15% and 20% and that is after the earlier renegotiation of our contract, which was actually quite robustly negotiated. It would otherwise have been a bigger saving.”

Mike Bell, group chief information officer (CIO) at Kingfisher, said: “What IntelligentComms did was help check our estate and improved the accuracy of what was already a fairly clean asset base. Because we could then check for issues, we initially found a million potential savings in unrequired or inappropriate usage out of our £13m spend. Although I won't be able to harvest it all, I will probably get half a million. Now it's clean I can look for changes and scope creep that could be 10% of the contract each year.”

Bell was very supportive of the role played by IntelligentComms at Kingfisher, saying that “IntelligentComms, with its Veropath software, provides the potential to make cost savings within an existing contract framework and then sustain them. More importantly, it provides a fantastic basis for changing the ongoing contract dynamics.”

IntelligentComms' go-to-market strategy is to work directly and with consulting partners to offer a managed service. The company also recognizes that the major telecommunications companies (telcos) now understand the need to show accuracy and transparency in both their contract negotiation and their billing, and expect to develop independent support services for them.

Ovum would suggest that it is rare for companies to have the dedicated, full-time, and constant support that IntelligentComms provides, or software with Veropath's capabilities to enable detailed continuous benchmarking and review. Ovum would therefore highly recommend a careful examination of what the company offers.

INTRODUCTION

Intended readership

This paper is aimed at senior executives of organizations which have significant telecoms infrastructures with multiple contracts and tariffs from a number of suppliers, and who value effective control over these.

Approach to writing the paper

The paper is an extended form of Ovum's standard proposition assessment that expands upon the need and value of a continuous management service for telecoms spend and service levels.

OVERVIEW OF THE MARKET AND THE ISSUES FACED BY THOSE WHO MANAGE TELECOMS SPEND

WHAT IS THE PROBLEM?

For many companies, telecoms spend is something they accept as being unavoidable. They monitor their operational service levels daily but perhaps every two or three years they will conduct a general review. Every so often a contract comes up for renewal; this allows their incumbent supplier to propose something new, perhaps offering changes to infrastructure and tariffs or simply carrying on with little change. Ovum believes that if companies let the providers take the lead in this way; they are in danger of wasting a massive opportunity to reduce telecoms expenditure. Let us look at why.

Reconciliation is difficult, as the information required is not readily available

The data required to determine how effectively companies are making use of their assets and service contracts, and whether the provider is offering good value, are seldom available at the level of detail required. Trying to check whether a provider's billing is accurate requires reconciliation, or repricing, of actual traffic using the tariffs agreed up front, matched to information supplied by the provider about how they applied the tariffs to create the bills. Unless a company has the means to check this at a low level of detail, it will be relying on the integrity of the provider and therefore has no means to confirm accuracy. Providers make summary information available and each supplier does this in its own manner. Pooling and checking this information is no simple task.

Companies do not have the skills required to retain control over their spend

Most companies lack the skills and focus to make anything of what information is available if they only look at it every few years. Understanding and managing a telecoms infrastructure requires knowledge and skill that is only acquired and retained if responsibility is allocated to a dedicated resource, one which gets to know that infrastructure and does not move on to another role before the next review.

Benchmarks are historic

The benchmarks often set by analyst companies, which provide some idea of whether the suppliers are performing adequately against service-level agreements, are based on retrospective averages that reflect past performance rather than what is on offer today. They may not help companies to understand whether the choices being given offer the most cost-effective outcomes.

Complexity of relationships

For larger companies, the complexity of multi-country and multi-provider provision is so difficult to manage that they may abdicate the responsibility altogether, or localize management. This reduces the opportunity to negotiate the overall value of their contracts.

A bundled deal is seldom the best option

It is tempting to allow a major supplier to take control of a wider range of services, bundling up contracts from other providers into an overall provision in an effort to reduce this complexity. However, other suppliers may offer more competitive rates in some areas. Moreover, the contract durations are unlikely to synchronize readily. The need to ensure that all parties are providing profitable services tends to extend the duration of a contract to three years or more, and encourages additional costs to be built in to cover risk and ensure profitability. Getting out of such a bundle at short notice is then often not possible.

A lack of ability to understand or quantify the impact of technology change

Suppliers will commonly approach their client with the offer of new technology proclaiming major cost and service benefits, however, most organizations have limited scope and unsuitable tools to truly assess this technology against their current usage profile and business requirements. This commonly leads to a supplier encouraging the client to procure technology that is based on erroneous assumptions, mis-matched to business needs and fails to deliver the forecasted Return On Investment.

A supplier can play the “shell game” with companies if they are not in control of their usage

If a provider knows that in some areas companies are able to check the detail of usage but in other areas they are less able, there is a natural tendency to offer the best rates in the areas where they will be noticed, while adding costs to recover lost profit in areas which are less conspicuous.

Defaulting on a commitment can be costly

Many telecoms contracts include a commitment by the client to take an agreed level of usage in order to qualify for reduced rates. Without being able to monitor usage independently, the customer may miss that they are on course to fail to reach such a target; at this stage it may be too late for the provider to take any useful alternative action. The result of course is a higher bill than envisaged.

Contract agility

The telecoms market is becoming increasingly dynamic. Being tied into a contract for a number of years is therefore unlikely to be in the interests of the client, which needs the right to break or renegotiate contracts opportunistically as the market changes and new options arise.

Conflict of management

Another issue that makes overall evaluation of the telecoms infrastructure difficult is that it is often managed by three separate groups. For example, IT might manage the data network, while it is often left to the local office management to look after the telecoms at each location. Mobile usage, on the other hand, may be handled by a central administrative employee across the organization. In each case, if companies attempt to consolidate this management structure, each one of these groups will tend to concentrate on what they know best, to the detriment of the other two areas. Moreover, now that telcos are crossing borders and offering up complete solutions, this leaves many companies exposed and unable to understand what they are being offered. A “like for like” bid against their existing structure is much easier to understand and accept.

HAS OVUM SEEN EVIDENCE THAT THIS IS TRUE?

Ovum has noted that several major telecoms suppliers have offered a new combined telecoms infrastructure and service package, promising expected savings of 30% which completely failed to materialize. The clients involved have little or no recourse because they hold such limited control over the environment. Ovum also knows that clients often have limited control over their telecoms asset registers and contracts, to the extent that they are often paying for lines and services to buildings that they no longer own or use.

Ovum has seen examples of where IT staff keep information close to their chests, holding back information that needs to be far more transparent if overall contract negotiation and restructuring of the telecoms infrastructure is to be a success. When these employees do eventually move on, Ovum has seen that the knowledge they held on the telecoms infrastructure and contracts often goes with them.

A number of companies are more concerned about competitive rates than they are about the actual financial commitment. This attitude reflects an abdication of the responsibility to manage telecoms assets effectively, based on the fact that executive management does not always recognize that it is possible to do so.

This does not paint a particularly happy picture. So what does best practice entail and what should senior management be looking to do?

HOW SHOULD THESE NEEDS BE MET?

Ovum believes that companies are buying blind and running blind due to limited control over their infrastructure and a lack of the detailed knowledge of usage to take their suppliers to task. What is ultimately required is a greater level of business intelligence being applied to the telecoms arena, so that companies have the tools and information to make rational decisions and take day-to-day control over their telecoms spend.

Obtaining and applying the business intelligence required to track and control the contracts to be managed offers a set of challenges:

- Companies should have accurate and detailed information about the telecoms assets and contracts they hold.
- It should be known how these assets and contracts are being deployed, so that they aren't using inappropriate and expensive numbers or services when a reduced capability would lower costs and still be appropriate.
- Companies need to track the usage of their telecoms assets and services, at a level of detail which enables them to calculate and predict spend accurately.
- An equivalent set of usage records should be obtained from providers in support of each bill, so that companies can reconcile their usage statistics. Companies must be knowledgeable when discussing their needs with providers.
- Companies need to be able to "reprice" each bill presented by a provider, based on detailed usage statistics and tariff information. This will facilitate an accurate audit of each bill.
- Companies need to keep track of each contract and the term and version of each tariff which applies to it, so that usage charges can be monitored.
- It is necessary to keep track of usage where there are thresholds that need to be met to attain agreed rates. Active notifications should be issued if these thresholds are close to being missed.
- Companies need to be able to independently model and validate the new technology changes against business requirements.

- Companies need closer control over their suppliers and should avoid sub-contracted relationships. This will enable greater transparency over agreements.
- Contracts should be breakable with little penalty if market conditions change and better alternatives become available. Contracts should therefore be breakable by region, technology, and service.
- Companies require market intelligence and good relationships with their providers, in order to obtain a better overview of what is available and how much it should cost.

It is clear to Ovum that undertaking the above list of actions requires considerably more focus than is usually paid to the area of telecoms spend. This is unlikely to be successfully managed unless there is a committed resource with senior management buy-in and the authority to act. The idea that an external resource can do this for the company every few years on an *ad hoc* basis may be risky, particularly without the support of a well-structured set of business processes and supporting tools to manage, maintain, and exploit the detailed information and business intelligence being built up.

THE INTELLIGENTCOMMS PROPOSITION

PRODUCT AND SERVICE OVERVIEW

IntelligentComms provides a combination of expertise, retained market knowledge, and a comprehensive software solution to deliver a managed service that tracks and helps optimize the expenditure for both infrastructure and usage throughout the full lifecycle of telecoms contracts.

The managed service has two major components.

- **The professional services team** – A set of specialist staff committed to the client that continually monitors, manages, and optimizes the use of telecoms assets.
- **Veropath** – A software solution, developed in-house over eight years, that acts as the repository and engine which tracks contracts and assets and enables the pricing of telecoms usage against an extensive tariff portfolio.

The managed services team and approach

IntelligentComms provides a virtual team of skilled and experienced resources which augment the client's staff to deliver appropriate skills throughout the lifecycle of the telecoms infrastructure. The team consists of:

- **Project manager** – The project manager sets up the project and engages with all the stakeholders and providers. This role is key to getting the project off the ground and undertaking the constant chasing and checking which are required to establish the infrastructure. The project managers have extensive industry experience and are able to ensure that the client gets the value and quality of service delivery expected.
- **Data technician** – The main task of the data technician is to gather all the required data from the telecoms providers in appropriate formats and detail, so that information can be loaded monthly. This involves writing plug-in scripts and amending these should the providers change their billing engines. It also includes information from the client's human resources (HR) systems regarding leavers and joiners, information about premises and locations, asset information, and from finance, information about accounts, cost center allocations, and potential disputes. In fact, the wide range of data that impact on the use and expenditure of telecoms assets and services is often quite difficult to gather if the company does not have the right skills and commitment to do so.
- **Data analyst** – The role of the data analyst is to analyze the captured information, to check whether:
 - The client is currently getting the tariffs that it should be receiving, by using the previous year's usage and tariff data to audit the bills presented by the providers.

- Earlier years were correctly billed, by checking retrospectively backwards the analyst finds issues over the last 12 months which enables the negotiation of repayments.
- The client is still paying for devices that it no longer has, facilities at offices that it has closed, or people who have left the organization.
- Employees or departments are using phones in an inappropriate way, highlighting anything that appears exceptional and which needs to be checked.
- Future opportunities or exceptional usage that needs to be reviewed can be identified, by looking at trends.
- Exception reports show the most expensive usage and how much call usage was internal, in order to tune usage and reduce these costs.
- There are ways to make better use of assets that do not affect the current contract terms.

The analyst will use Veropath to benchmark the client's expenditure on the cleaned up estate against alternative tariffs, using detailed usage data to reprice the contract. This will determine whether the client currently has a competitive set of tariffs or whether it should seek to resource its provision. If it is necessary for the client to do the latter, the analyst will also be involved in entering the appropriate information back into Veropath and reviewing the details of each commercial bid, assisting the selection. The analyst will then look closely at the contract terms to see if there are key service level requirements which need to be followed through by the providers.

Most importantly, the analyst has an ongoing role in reconciling the billing data against the pricing model and any new orders, checking usage to ensure that the tariffs continue to be correctly applied and that the billing is correct. It is far better to find a problem immediately than to have to reclaim money later. The analyst also keeps a check on the asset register, to keep it up to date and to identify usage trends and issues. This will allow the appropriate actions to be taken, for example, if the client is likely to significantly overshoot a targeted threshold and wishes to negotiate an improved tariff. The analyst will handle both internal disputes, such as charges for new equipment appearing on bills that were acquired incorrectly, or simply challenging the providers if bills are incorrect.

- **The consultant** – Finally, the consultant is fed information by the analyst and takes responsibility for undertaking a technology review and engaging with stakeholders, to understand their high level business needs. The consultant takes on the primary contact role within the client and is known as a client director. The consultant will have a wide-ranging understanding of both the technology and the market, and will help to formulate the ongoing strategy and planning for the client. Each consultant may have specific strengths and will liaise closely with colleagues at IntelligentComms, in order to share and apply the appropriate expertise as required.

Veropath software

Veropath software is perhaps unique in that it is capable of holding such a wide range of information about telecoms assets and their usage and pricing. It enables a far greater holistic understanding of what the benefits of a change of infrastructure, usage, or tariff are likely to be than is normally available to management.

Veropath has been significantly enhanced over the last year to improve scalability, performance, and replicability, providing copies of data which can be queried so that clients as well as analysts get fast access to the information they require and as soon as possible after it has been captured and analyzed.

The technical infrastructure is built on a service layer of the Microsoft .NET 4.0 platform, with the analysis tools written in WinForms and Windows Presentation Foundation and the database back-end written in SQL Server 2008. The front-end used by clients over the Web is a Microsoft ASP.NET model-view-controller (MVC) application and uses SQL Server Reporting Services.

There are two major components in the Veropath solution:

- **Veropath Analyst** – The internal application used by data technicians and analysts.
- **Veropath Portal** – This is used by clients to access their own data and reports.

The solution incorporates modules for import, analysis, reporting, inventory management, ordering, contract management, and budget management. The most important features will be discussed in the sections below.

Import engine

The import engine converts data from comma-separated value (CSV) and Microsoft Excel portals into a consistent internal form. This is required because the industry provides no common or automatic way of accessing provider data.

The import engine takes in the basic individual call record data required for analysis. For companies spending tens of millions on telecoms this typically runs into millions of records per month. IntelligentComms uses directly captured telecoms data, not merely information captured by local call loggers. However, clearly this could also be used if the client has a particular requirement.

When capturing product data Veropath uses lookup tables and a prefix engine to standardize the information presented by the various suppliers. For example, even an analogue public switched telephone network (PSTN) line rental is called something different by alternative providers, and so IntelligentComms holds the information in a generic format.

Inventory management, ordering, and usage tracking

Veropath builds a detailed and complete inventory of all telecoms assets. Organizations need to constantly identify and track new products, remembering that a product can be anything from a line rental or a discount, to a service such as caller ID. A circuit might have 10 to 15 products associated with it, as well as all their properties and statistics. Veropath will keep checks on thousands of products and their histories, so that IntelligentComms will know when they were applicable.

Veropath has an inbuilt order management system which is part of the process used to check accurate provision and billing. This enables the client to check, for example, that they are not yet being charged for lines that have been ordered but not yet provided.

Tariff management, repricing, and bill management

Bill import and repricing are fundamental to the IntelligentComms service that the clients rely on, even if they do not recognize this. Most clients will only be offered a contract that defines a restricted set of key rates, whereas IntelligentComms can go back to the provider and demand the complete tariff with all the rates defined. This will allow the tariff to be optimized to a much finer level of granularity, with every possible type of call being grouped into a specific charging structure.

Veropath holds thousands of tariffs for fixed, mobile, and wide area networks, maintaining a database that includes detailed information on applicable dates covering an extensive set of providers in the UK and Europe, in particular. The new version of Veropath tracks individual tariff history, detailing changes over time.

IntelligentComms can use this to calculate speculative estimates or repricings on alternative tariffs, as well as taking the basic call data used by a client and repricing it against its agreed tariff structure in order to accurately check bills.

Veropath tracks the billing lifecycle from import through to the point at which IntelligentComms is satisfied that the invoice can be paid, highlighting discrepancies that need agreement or adjustment.

With the tools that prove that there are irregularities in billing, the client is able to retain a percentage of the money while the dispute is settled. It is better to retain money than to reclaim it from the providers at a later date.

Built in best practice

The software provides checkpoints which ensure that all appropriate actions are taken prior to authorizing a payment, for example making sure that lines which have been decommissioned are not still being charged for. This helps to ensure that less experienced staff do not approve payments erroneously.

Analysis and reporting

Because Veropath takes the lowest level of data possible through bespoke reports and extracts from the providers' Competency Demonstration Reports, it holds the detail which enables it to provide the client with illuminating monthly reports, such as:

- Which destinations international roaming calls were made to and which network were they made on: this is something the supplier's bill will not make clear but which might help the client to analyze traffic and improve the tariff for calls made on particular roaming networks. The client may then wish to purchase locally in that country.
- The system allows IntelligentComms to analyze call data at a town level within every country in the world. For example, a client that makes 60% of its calls to France within Paris may be able to receive a good rate on those specific calls.

Other standard reports might be summaries of:

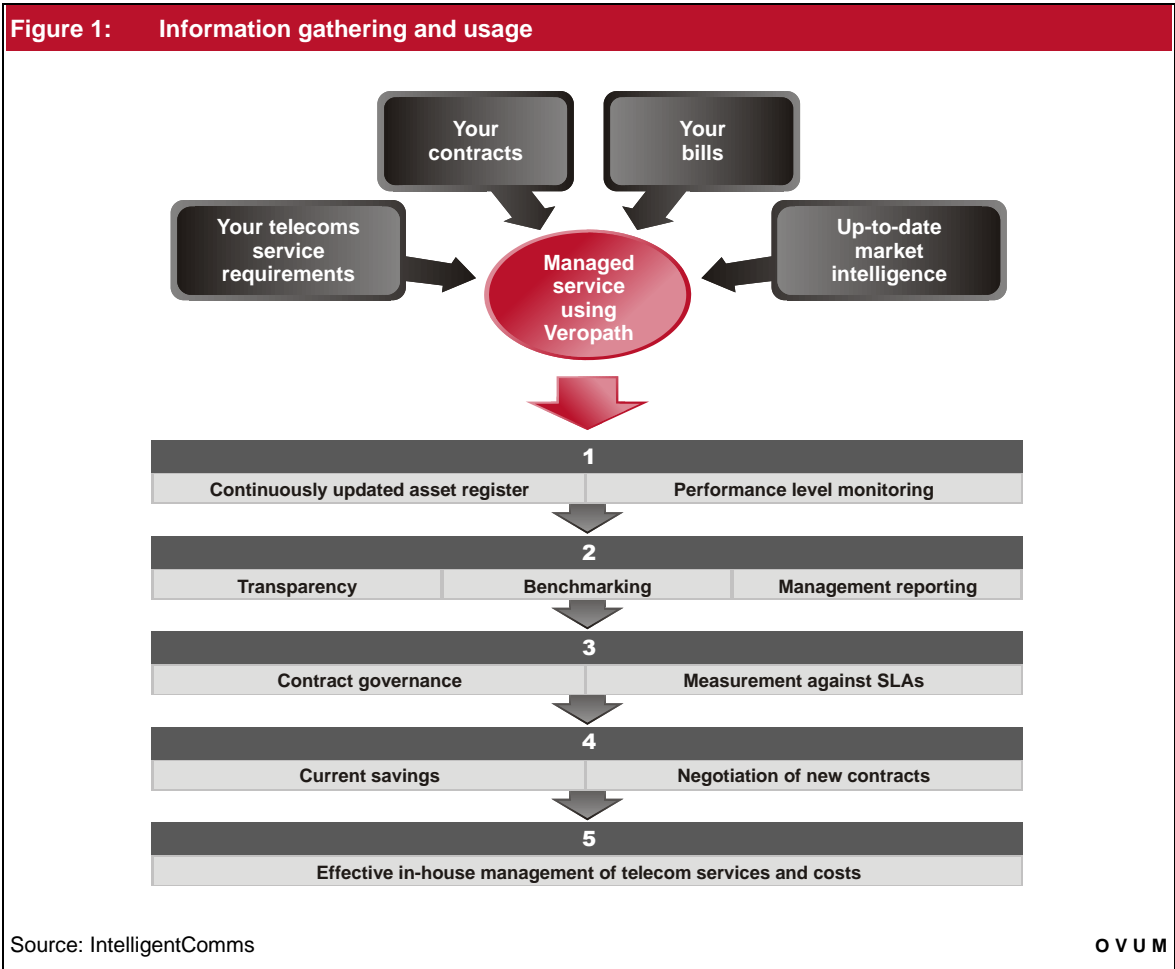
- Out of threshold calls (duration, cost, call type, and so on).
- Effectiveness and requirement of mobile roaming add-on packs.
- Trending of call spend to demonstrate profile variation against contract spend.
- 0844 or 0871 calls.
- Calls to non geographic numbers which are linked to an underlying number that is part of the client's business.
- Inter-company calls and management of internal call routing between sites' and mobiles' direct dialing inward lines.

Contract management

Contract management is about capturing those contracts with expiry dates and associated benchmark analysis work. Knowing in detail what the contracts are and being able to aggregate information from multiple contracts to see the complete picture is of immense value, as it allows the client to retain multiple shorter-term contracts with a wider variety of suppliers. This is often the most cost-effective method, as being able to compare contracts to benchmarks and alternative contracts helps planning and contract negotiation.

The resulting combined managed service and infrastructure

The strength of Veropath in supporting a highly experienced, committed virtual team to manage the telecoms lifecycle is summarized by Figure 1. Once the project is established, the data technician brings together all the required inputs from within, and external to, the company. The analyst continually checks on the performance and usage of the assets and reconciles the bills, checking historically as required to ensure the appropriate application of agreed tariffs. As new contracts are negotiated and entered into, their information is added to Veropath; this results in effective handling of the complete telecoms lifecycle.



What makes IntelligentComms different

Ovum found the approach offered by IntelligentComms to be refreshingly expansive. Fundamentally, the company knows what needs to be done. The experiences of various IntelligentComms clients will be examined later in this paper, but at this point Ovum would like to highlight some of the key points which differentiate the company’s approach.

- Recognition that the client may prefer to contract an external specialist to do manage and monitor telecoms rather than doing it on a day-to-day basis by themselves,
- IntelligentComms works within the client company but is willing to take responsibility for carrying through the strategy and plans and then monitoring and reacting to changing circumstances and opportunities.
- If the company wishes only to be the decision maker, IntelligentComms is prepared to execute those decisions as a virtual team member, carrying out as little or as much of the work as the client requires.
- IntelligentComms offers a committed, focused, and communicative team.
- IntelligentComms uses a “Lean” project management style which is Agile within PRINCE. Furthermore, the company has weekly sprint planning sessions to see what can be achieved quickly, in terms of specialized reporting requirements for example or improved workflow and processes.
- Software and expertise are combined to create the complete offering.

STRATEGY

IntelligentComms' core strategy is to expand the business by approaching the market through partners which include telcos, consultancies, and outsourcers.

For example, the big four consultancies offer services based on the client's contractual "right to audit" (legacy look back), but have little capability to provide support for the telecoms area. They also have a "futures review" which defines what should be done, although it is currently left to the client to implement the plan. Teaming with IntelligentComms would leave these big four consultancy firms well positioned to carry out the full lifecycle of telco contract management.

IntelligentComms recognizes that many clients will have solid relationships with suppliers but that the suppliers struggle to maintain the transparency, accuracy, and openness that the clients expect. The IntelligentComms solution enables multiple partners and suppliers to prove that they are delivering value to the client. Indeed, one of IntelligentComms' aims is to make the suppliers stick to their best intentions and deliver what they promise. Although this may cause concern to some suppliers, Ovum believes that many are keen to provide transparency and accuracy in their dealings with their clients because they recognize that this is the best way to sustain and grow long-term business. In fact, Vodafone has recently purchased a company that provides some of the telecoms expense management features of IntelligentComms, an acquisition which Ovum believes shows considerable foresight on Vodafone's behalf. However, companies like Vodafone should remain open to working with IntelligentComms should the client require a more independent approach.

IntelligentComms historically offered a one-off review service. While they found significant opportunities for savings and improvements, it was evident that without their continued involvement the client would often fail to maximise and maintain the benefits identified. Today IntelligentComms only offers a fully managed service, which has led to much better levels of service improvement and cost management for their clients. Ovum believes that this reflects clients' understanding that they need to make a more wholehearted commitment to the telecoms area and either allocate more committed staff themselves, or select a dedicated managed service provider.

IntelligentComms is aiming to be the European leader in the telecoms contract lifecycle and opportunity management and to confirm their platform as the platform of choice.

KEY FINDINGS

Strengths:	<ul style="list-style-type: none"> ✓ Veropath offers a full lifecycle support platform. ✓ The managed service is based on extensive telecoms management experience. ✓ Tariff management and repricing capability is very strong.
Weaknesses:	<ul style="list-style-type: none"> ✗ Corporate growth will depend on the ability to ramp up partner relationships. Ovum understands that major partnerships with consulting firms are at an advanced stage of negotiation.

SUMMARY: OVUM ASSESSMENT

Unlike traditional TEM solutions the IntelligentComms approach incorporates every part of the telecoms infrastructure and all the services used throughout its lifecycle, not just the reconciliation of billing records. This proactive approach looks continually for enhancement of the infrastructure, contracts, and partnering approaches, contributing to a shared base of valuable business intelligence which is able to support multiple clients.

WHAT SORT OF SAVINGS MIGHT BE EXPECTED FROM A WELL-MANAGED INFRASTRUCTURE?

In view of the general market experience gained through focusing energy on optimizing telecoms spend and having discussed this with IntelligentComms, Ovum suggests that improvements in this area can result in significant savings:

- Recovery of overpayments through careful analysis of back billing could result in a 2–4% return on billing charges.
- The assets on an existing contract could be reduced by between 10% and 20%.
- Savings could be as much as 10–40% if the customer is completely rebuilding the infrastructure or is in a new go-to-market position looking at all the blends of technology.

To see if these industry estimates are borne out in practice, Ovum approached several IntelligentComms customers. They were asked to verify figures expressed in IntelligentComms reference studies, while those that did not have existing studies were asked to share their experiences. A summary of this evidence is provided in the next section.

INTELLIGENTCOMMS CUSTOMER EXPERIENCES

CUSTOMER INTERVIEWS

Virgin Money

IntelligentComms currently provides a managed service to handle Virgin Money's estate of Blackberry mobiles, as well as offering advice on other issues such as how to maximize the potential benefit of innovative devices like iPads, playbooks, and so on.

Finlay Williamson, CFO of Virgin Money, said: "It was initially a hard struggle to get the IT department to accept that IntelligentComms could improve upon the telecoms management and contract negotiation that they had in place. They genuinely felt that they were doing all the things that IntelligentComms was offering and felt that they were being unduly questioned. I expected it to be easier here than in my previous company as the politics and size of the group was smaller, but it was still initially resisted."

Williamson explained the situation at the start as "we'd just done a deal with O2 and they felt that it would be difficult to better [our telecoms management]. We ended up with 'just let them try and we'll see what happens.'"

The finance director Richard Fairman said he was "very impressed" by the way IntelligentComms had handled the contract renegotiation that they had undertaken with O2 on Virgin's behalf, and the general level of professionalism.

Virgin Money's service support manager, Wendy Peck, has worked with IntelligentComms and said: "We thought we had a great deal with O2 but IntelligentComms made it an even greater deal, shaving a further 10% off their already heavily discounted offer." As Virgin Money is expanding, both Fairman and Peck confirmed that the savings being made on their £16,000 per month telecoms spend were becoming more and more important and that they would ask IntelligentComms to help them optimize their call centers, working with their other partners. Peck added that "what makes them able to do what we could not have done in-house is the tremendous experience and depth of knowledge that they bring, as well as the rigor they apply when chasing us up on actions, they are just so good."

Ovum asked Finlay Williamson if he thought IntelligentComms is in any way special. He said that "the fact that IT doesn't tend to have the infrastructure and supporting products to manage the telecoms area effectively came as some surprise to me. I now realize that there is a need for considerable telecoms

specialized knowledge and experience that just doesn't come naturally to those in IT that come from a different background."

Companies may be told that their telecoms area is in order. However, while IT specialists may be experienced developers or systems operators, they are not necessarily skilled in cost control. Ovum therefore recommends that companies review their telecoms management. The larger the company, the greater the opportunity for savings.

When asked what the bottom line was, Williamson said: "Virgin Money expects to save between 15 and 20%, and that's after the earlier renegotiation of their contract which was actually quite robustly negotiated. It would otherwise have been a bigger saving. There is a basic fixed cost of bringing them in, but this cost is a smaller percentage, the larger the company.

"I'd failed to get them widely adopted across my previous company, Royal Bank of Scotland, largely because of similar issues with politics and complexity of ownership of the telecoms area, and it wasn't worth the political fight of forcing IntelligentComms into the process, although I recommended them to Global Banking Markets where IntelligentComms were successful in helping them to reduce costs."

Williamson suggested furthermore that, in his view, "bringing IntelligentComms in was something of a no brainer."

The final word, however, on Virgin Money's use of IntelligentComms has to go to Wendy Peck, who was asked whether she was happy with the service. Her response was: "No, I'm absolutely delighted and had never met such a bunch of efficient people."

County council

One of IntelligentComms' clients is one of the largest councils in the UK, serving a major city with a population of more than 1 million. During the assessment stage of the project IntelligentComms quickly identified that the council's telecoms infrastructure included multiple contracts from multiple providers, with duplicate services being delivered across no less than 10 contractual agreements. During the lifetime of these multi-year contracts there had also been a significant level of change within the client's infrastructure, meaning that some elements were now redundant. There were also a number of third parties involved in the provision of services, which brought a further lack of clarity to the entire telecoms estate.

Through the initial assessment phase of the project, IntelligentComms was able to identify more than £1m worth of annual savings across the client's entire telecoms infrastructure, from an original spend of more than £5m per annum. These significant savings will enable the council to reinvest in other technologies throughout the organization, as well as reducing the overall future run rate costs.

Serco Group

Serco Group used IntelligentComms to conduct a periodic review, which has been a much more difficult process to manage. It has been a case of finding potential savings of hundreds of thousands of pounds and then encouraging Serco to carry out the tasks needed to make those savings.

Serco has a multitude of government contracts and a complex estate of telecoms. As an example, in the prison service every change in rates needs to be carefully considered because a prisoner who has a call allowance might be affected by such a rate change. Serco asked IntelligentComms to model a wide range of contracts and usage, in order to discern how its telecoms could be more effectively managed going forward. To do this, IntelligentComms produced a large number of reports and conducted various "what if" analyses to support Serco's decision-making processes.

Iain Harris, account director of IntelligentComms, said: "It was evident that the information available from the provider's portals was not detailed or accurate enough to perform the required analysis or identify any disputes, and as a result we went directly to the network providers to get the data extracts from their billing engines. As well as building an intelligent profile that looked in depth at their call patterns, we demonstrated

underlying billing issues resulting in uncontested claims. Obtaining this level of detail also highlighted further failings by the network provider when Serco transitioned to new tariffs which took four months to be correctly implemented, again demonstrating an uncontested credit of £30,000. Data from the network provider portals is limited and in most cases favors the network provider.”

Serco spends around £3m a year on mobiles with O2, which the company had believed to be an effective tariff. However, the tariff had changed the cost of an 0845 number from three pence to 17 pence. IntelligentComms found that most of the 0845 calls being made were internal calls and that by changing them to an 03 number, for example, they could make a significant cost reduction of around £300,000. When this was pointed out to O2, a sensible compromise was negotiated.

Kingfisher

Kingfisher is Europe’s leading home improvement retailer and the third largest in the world, with around 840 stores in eight countries in Europe and Asia. The retailer engaged IntelligentComms to undertake a complete audit and review of its telecoms assets, and to manage how these are used.

IntelligentComms also has an ongoing full mobile administration role at Kingfisher, which handles all aspects of requests and the provision of mobile devices. This includes holding stock and managing upgrades, as well as managing relationships with suppliers and providers. By taking on this additional role and ensuring that the information feeds back into IntelligentComms’ management of ordering, dispute management, and invoice checking, Kingfisher has saved the cost of using a third party to manage its mobile assets.

Ovum asked Mike Bell, CIO of Kingfisher, whether he could confirm our belief that telecoms contract management was generally poor. He said: “Invariably the telecoms component of IT is 10% to 15% of the total and if you have a budget of £200m, it’s a substantial number. People see it as a fixed cost when it shouldn’t be. They think they can only change it every three or four years based on a renegotiation of tariff and rates using historic benchmarks from industry watchers. To make their life easier, they tend to go for a single source. They then say to the IT department ‘just hit this target and we’ll be okay’. Not surprisingly, they tend to avoid risk and disruption and give the deal back to the same provider.”

Ovum then asked how he felt this negotiation process was seen by the business. He responded: “The negotiation may result in a 10% reduction in apparent budget but because we have no control of those adding assets, we find that our costs creep up as the estate enlarges. It’s just not to the benefit of the telco to optimize that asset base down, and as telecoms is seen as cost plus, no one tends to challenge it. The result is that we could be said to be a bit negligent with about 10 to 15% of our budget, which means that in a case like ours we are talking about 3 or 4 million (pounds) that could have been saved. If you get this right, it gives you fantastic credibility with the business. It also shows that you are getting in to the business detail. I’ve always attacked this because it needs looking at.”

Ovum furthermore asked Mike Bell to expand on how getting tighter control of the detail and insight into the market helped him. He said: “Without the detail I know that I’m paying serious money that I can’t recover because I don’t have the ability to question the providers. In reality, telecoms isn’t the utility people think it is, because we can’t switch it on and off and manage our use at granular levels.”

Bell was very supportive of the role played by IntelligentComms at Kingfisher, saying that “IntelligentComms, with its Veropath software, changes all this. It provides the potential to make cost savings within an existing contract framework and then sustain them. More importantly, it provides a fantastic basis for changing the ongoing contract dynamics.”

Ovum asked Bell what had actually been achieved at Kingfisher. He replied: “What IntelligentComms did was help check our estate and improved the accuracy of what was already a fairly clean asset base. Because we could then check for issues, we found a million potential savings in unrequired or inappropriate usage out of our £13m spend. Although I won’t be able to harvest it all, I will probably get half a million. Now it’s clean I can look for changes and scope creep that could be 10% of the contract each year.”

When asked how he would renegotiate contracts, Bell said: “Now I have the asset in detail, I can change from a monolithic contract. I went to market with a blind bid on each service tower we had. The best price service tower was what I went back to my incumbents with, to renegotiate any that had reasonable terms left to run. At [the] end of the contracts I know [the] best price[s] for service tower[s] in the market, so I can create a new proposal based on a set of all the best market rates. IntelligentComms do this all the time and so have a broader understanding of what’s available and can maintain their database of realtime best of market tariffs and terms. This is invaluable in helping me stop the creep, work on getting costs to match contracted rates, and helping me renegotiate new contracts.”

Ovum asked him what these contracts would look like, to which he commented: “I can go to say a more flexible supplier who only asks for a 10-week commitment and can then construct potential contracts on a more utility-based rolling contract approach. By getting the best rates for each service tower, I can base contracts on service tower[s] by tariff and longevity of term. The next thing to do is to contract based on tower, tariff, longevity, and add in usage, so that at busy times I pay a bulk rate and at less busy times I only pay for what I actually use.”

Ovum asked Bell if the Veropath software was really that different from other market solutions. He said: “Veropath is different. IntelligentComms go down to more detail and have more history in Veropath than other people. I think it would be a really interesting tool for an added value network provider. They could do pick-and-mix with the basket of services they wanted to sell on, making them very flexible. The same is true for big outsourcers with a lot of contracts to manage, who would gain the ability to consolidate having optimized the cost per contract.”

His final word was: “We need to control the assets, know the business rules and the tariffs for each type of call and track the detail. IntelligentComms will allow me to do that. It enables me to make my contract options more innovative.”

Thorntons

Thorntons has 376 confectionery stores with epos and broadband links and separate phone lines for credit card transactions, with a central office that also controls the company’s estate of some 200 mobile phones.

Mark Robson, Thorntons’ finance director, said: “There were a number of contracts in place but in terms of benchmarking and managing them, I knew that they were not as tight as they could be.” IntelligentComms provided market benchmarks and reviewed them against current contracts, determining that Thorntons needed to switch mobile, broadband, and landline contracts as they came up for renewal. IntelligentComms handled the project management and contract renegotiation and handover to new providers. Mark said that “their understanding of the market and their project management skills has been something that is absolutely brilliant.”

IntelligentComms arranged for new contracts to be negotiated and put in place as the old contracts expired, handling a “pretty seamless transition” over to the new contracts. “Our procurement team worked with IntelligentComms, and without them we wouldn’t have been able to optimize our tier rating, and more importantly the transparency and granularity of monitoring that allows us to keep on top of our telecoms spend.” He also felt that the Veropath solution was highly valuable in its ability to reprice usage and maintain close track of assets and activity.

During the changeover, IntelligentComms managed to cease 100 lines that were not being used. It worked with the facilities team to identify store closures; with HR to find users that had left; and store managers to see if they needed all the services in the store, such as unused “footfall capacity.” Ian Harris at IntelligentComms said: “It was important during a changeover to consider the repercussions before you act.”

Robson believes that “IntelligentComms’ expertise was instrumental in doubling the savings we might have expected from renewed contracts, and that we will probably save £120,000 per annum of an expected spend of £500,000 for mobile, landline, and broadband.”

Utility company

This client is a publicly owned national utility organization which is answerable to the UK Government and to the individual citizens that it serves. With 3,700 employees located within six principal offices and more than 100 other smaller locations, the client is responsible for supplying more than 2.3 billion liters of drinking water and removing nearly 1 billion liters of waste water per day.

The original project resulted in a forecasted cost saving of £330,000, which was equal to 49% of the organization's variable call spend. A further saving of £101,228, which was equal to 26% of the company's fixed spend, was also identified, and both of these savings were exceeded within the first 12 months of engagement. IntelligentComms was also instrumental in greatly reducing the overall cost of surplus services to the company, with a saving of £150,000 in year one. Over the course of the initial two-year term, IntelligentComms delivered total cost savings in the region of £750,000, including identifying mis-billed charges in excess of £41,152.

IntelligentComms also helped to improve the utility company's relationships with its suppliers. For example, when the utility kept asking BT to quote for landlines on remote locations, BT sent out site inspectors only to find that in each case the utility then decided to use a mobile alternative. Once BT understood that it was being used to check viability, it reverted to a desk-based evaluation which satisfied all parties.

IntelligentComms often acts as a trusted intermediary as part of both teams, smoothing issues and helping to improve services.

OVUM ANALYSIS

The evidence above clearly supports the case that the managed approach offered by IntelligentComms, which is supported by the Veropath software, has offered significant reductions in telecoms spend to the clients we talked with. Reductions in charges through back bill checking and repricing were consistently achieved, but larger savings in the region of 20% and often more were made if IntelligentComms was involved in the full lifecycle of contract negotiation and service management.

The clients' experiences showed that managing multiple, breakable, and rolling short-term contracts, and allowing tariffs to vary with usage, enabled them to treat telecoms as a true utility. It is also clear that in order to manage telecoms effectively it is necessary to exercise tight control of the asset register and to collect detailed and accurate contract and tariff information, as well as being able to reprice expected usage against alternative tariffs.

Ovum recognizes that there is a tendency for clients to focus on direct financial savings, but the wider benefits arising from improved governance, service improvement, increased transparency, improved risk management, and "what if" analysis, although harder to measure, are equally important and are indeed inherent to the IntelligentComms approach.

GO TO MARKET APPROACH

CONSULTING PARTNERS

IntelligentComms has started working with a number of large consulting firms. The opportunity to help clients save significant sums of money and to generate an annuity consulting revenue stream has been recognized by these firms. They have the opportunity now to establish a presence and to extend their brand across this new market space. They have recognized the opportunity for first-mover advantage and are eager to seize the initiative.

A partnership between IntelligentComms and a large consultancy firm makes good sense for all concerned, including the ultimate client.

In this case the consulting firms have staff with appropriate skill levels who, by making use of the infrastructure and business intelligence built and maintained by the IntelligentComms solution, are able to offer a continuous and effective service with minimal staff turnover. It also provides the consultancy with the raw information needed to help them advise on the more effective use of IT and telecoms.

Ovum sees partnering as being critical to the future success of IntelligentComms. Ovum understands that it has been working with a number of these consultancies and that the relationships will be formalized in the near future.

One consulting company that has recently engaged IntelligentComms to manage their telecoms, as well as becoming a partner looking to work with them to secure new business, is PA Consulting. Andrew Hooke their chief operating officer said that “Traditionally, organisations look at telecoms spend from a top down perspective, performing periodic sourcing exercises based on their ‘best view’ of the telephony estate – often on a three year cycle as contracts expire. This approach is simply not enough – a fact-based, bottom-up, real time process is needed to underpin top-down efforts. Such an approach will lead to improved service, greater control and more rapidly realisable and sustainable savings. It also generates an accurate record of the telephony estate that can be used in benchmarking and technology reviews and for tendering and negotiations for new contracts with telecom providers. That, for me, is the strength and USP of the IntelligentComms solution.”

TELCO PARTNERS

Ovum has also noted that telcos have realized that providing more transparency and accuracy is in their interests. Vodafone recently bought Quickcomm, a provider of a software tool which validates bills, which Vodafone hopes will prove to its clients that it is “the” trusted telecoms provider that always presents accurate bills. Vodafone also purchased a US company called TnT Expense Management, which Ovum believes will create a service capability that provides clients with inventory and order management, dispute management, usage tracking with charge-back to accounts payable and general ledger accounting systems, bill payment, and reporting services. In other words, some of the capabilities provided by IntelligentComms.

Ovum also sees a major opportunity for IntelligentComms to work directly with these telcos by providing an independent set of support services, such as:

- Allow the telco to offer independent and proactive analysis and resolution of billing disputes and contract management and negotiation, without this being instigated by the customer.
- Provide clients that do not see the telco as a trusted telecoms contract lifecycle manager and request an independent service, for example where a company such as Vodafone would be viewed as the “fox in the chicken pen.”
- Aid a client (whether it is an existing client or a telco acquisition target for additional telecoms estate) which wants an independent adviser to advise them on sourcing/request for proposal responses and “what-if” modeling scenarios.

CONCLUSIONS

IntelligentComms offers a very great opportunity to the sort of senior executive who wants to be seen as a champion of something that delivers results to the business. Telecommunications is one of the last remaining business areas that is often out of control, and is thus an area which is ripe for significant improvement.

The strength of IntelligentComms’ offering comes from the combination of a highly focused and experienced service team and the Veropath solution, which can handle the detail and complexity required to support proactive decision making and contract management.

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