



Telecom Lifecycle Management
Untapped Cost-Savings for the Real Estate
Industry

March, 2006

Marilyn Wilson
WAV Group
805 473-9119
marilyn@wavgroup.com

Mike Audet
WAV Group
716 839-4628
mike@wavgroup.com

Executive Summary

Telecom Costs – One of the Top Three Expenses

Businesses are under constant pressure to reduce costs and improve efficiencies. Telecom costs are usually one of the top three expenses of any business. MLS providers and large real estate companies are no different. These costs, however, are rarely reviewed in detail for potential savings. There are several reasons for this. Many times telecom costs including wireless, video conferencing, data services, telephone systems and call centers are managed by different departments. As a result, the costs are not generally allocated nor captured in a way to accurately reflect total telecom spending. Traditionally, there is no single point of consolidation for all of these services.

Second, telecom bills can be overwhelming. There are so many unexplained tariffs, taxes and confusing service charges that most of us simply review the prior month's bill and pay them even though up to 15% of telecom bills can be wrong! This leads to overpayment of services.

Telecom Lifecycle Management (TLC)

There is a business practice called Telecom Lifecycle Management or TLC. TLC enables companies to systematically improve the efficiency of all of their telecom spending for services and equipment. It allows them to build a comprehensive telecom plan, optimize telecom spending by centralizing contracts, monitor billing and analyze spending to ensure accuracy. TLC companies have dedicated resources expert in the ever-increasing complexities of telecom services.

What Can You Expect – Up to 25% Savings

Companies who have launched Telecom Lifecycle Management initiatives have realized first year savings up to 25%. MLSs and real estate firms that implement TLC can expect on-going savings and better use of their resources while continuing to improve member services.

Is Telecom Lifecycle Management right for your organization?

If your telecom services spending, including voice, videoconferencing, wireless, internet access, data services, call center services, and pagers, totals over \$500,000 annually, your organization may be able to benefit from Telecom Lifecycle Management.

Ask yourself the following questions:

- How much per year do we spend on all of our telecom services?
- How are disputes resolved and what is our success rate in recovering overcharges?
- How many telecom service providers do we use?
- What services do they provide to us?
- When are those contracts up for renewal?
- Are the services contracted for being delivered and charged correctly?
- Are the Service Level Agreements being met?
- Who in our organization manages it?



- What is the level of internal resources needed to manage our telecom expenses?
- Is that effort strategic?
- How do we manage wireless devices and expenses?
- Is it an efficient process?

If you have a tough time answering these questions, or are not satisfied with the answers, then you may want to consider a Telecom Lifecycle Management program. It may save your organization money, which can be applied to improving your bottom line profitability or enhancing the services you offer your customers.

For More Information

Association of Telecom Management Professionals (AOTMP) –
<http://www.aotmp.com>

WAV Group <http://www.wavgroup.com>

Solarcom, Inc. <http://www.solarcom.com>



Introduction

Today, real estate organizations are constantly required to reduce costs, increase efficiencies and “do more with less”. An area that is rarely looked at for cost-savings and improved efficiencies, but one that offers tremendous returns, is telecommunications costs. Telecom today is a whole lot more than phone bills. Large organizations are buying a variety of telecom services including data, voice over IP phone systems, call centers, and wireless services. In fact, telecom costs are usually one of the top three expenses for most MLS’s, associations and real estate companies, particularly those with their own data centers. It is not uncommon for telecom costs to account for as much as 20% of total annual operating costs, yet the bills receive very little scrutiny. Telecom represents a significant cost savings opportunity for large MLS’s and real estate firms, yet few have taken advantage of this opportunity.

1. Definition of the Telecom Lifecycle Management Problem

Who’s in charge?

Why is it that telecom costs do not get reviewed as closely as other budget line items? First, telecom costs are generally managed by several departments. Some fall under the IT department, office manager or branch manager and in larger organizations, the purchasing department and accounts payable. This decentralization reduces the company’s negotiating power with vendors and creates redundancies in equipment purchases. There is generally not one person or department responsible for managing all telecom costs.

Telecom Cost “Management” is Minimal

Nearly every real estate enterprise agrees that at least some of its telecom invoices are not being scrutinized each month. Telecom invoices are given a quick review, compared to prior month’s invoices, approved and paid. There are many invoices coming in from several service providers every month. Review of these invoices is a highly labor-intensive manual effort, with great risk of error. To effectively manage telecom costs, accounts payable needs to be up-to-date on network infrastructure changes and expert in current rates, tariffs, regulatory fees, and tax information. Most accounting departments do not have this expertise or time to closely scrutinize the telecom bills. In fact, up to 85% of telecom bills are paid without review or audit, according to an Aberdeen Group study.

Real Estate Firms Overpay for Telecom Services

Firms in the real estate industry are overpaying for telecom services, REGULARLY! In fact, up to 15% of all telecom bills may be wrong! Why do so many mistakes occur? Telecommunications companies have multiple databases gathering usage information for your firm. They don’t always “talk” to each other because many use legacy systems that have been built over time. In addition, weak market conditions for the telecom industry have led to unhealthy behaviors commonly known as “slamming, and cramming.” Slamming is the illegal practice of switching you from one provider to another without your knowledge. Cramming is the practice of putting optional services on your bill that you have not ordered like call waiting on a fax line. Since the invoices are so difficult to decipher, it is easy for a carrier to add additional services and costs without your knowledge. Since there is minimal legislation in place to protect enterprises from these practices there is little incentive for telecom providers to change their practices.



Bills are Confusing

Any of us who have ever read even our own home phone bill know how confusing they are. The carriers have done a great job of complicating the telecommunications services. The invoices are complex, with a large number of miscellaneous fees, tariffs and taxes that are hard to understand. Ultimately, we simply look to see that the amount is close to last month's bill and then we pay it.

2. What Can You Do About It?

Telecom Lifecycle Management (TLC) Process

TLC is a process that involves developing a plan to effectively manage all telecom-related efforts and expenses. It requires the organization to embrace a holistic telecom lifecycle management approach. Such a plan must include all the processes required to manage each telecom contract and service from the beginning to the end of its term. A company must be able to systematically audit all its telecom invoices and be able to dispute and recover overpayments. It must also be able to manage telecom expenses and choose and effectively manage the appropriate telecom vendors.

It sure sounds like a great way for your organization to realize cost-savings, doesn't it? Now let's talk about reality. Who in your organization will be able to accomplish this daunting task? Most internal staff are already stretched. They are focused on being expert in the real estate industry, not the telecom industry.

Fortunately, Telecom Lifecycle Management companies exist and they can do this work for you. The most successful approach is to identify one of these TLC companies to partner with you, and to share the goal of reducing and managing telecom expenses. Turning to a TLC provider will eliminate the need for additional internal staffing expertise in the ever-increasing complexities of telecommunications and will allow your firm to "pay for performance", not fixed salaries.

Real Estate Telecom Requirements

A typical MLS or real estate firm has diverse telecom needs with ever-increasing complexities. Without support from telecom experts it can be extremely difficult to stay current. Many organizations are looking for alternative approaches for managing their current telecom infrastructure. They would like to achieve a greater return on its telecom infrastructure and technology investment while improving internal business processes and data security. Many are also looking for ways to reduce telecom spend while migrating their data to a more robust and secure environment. Specific focus areas include:

- **Voice and Data Convergence**

Many large MLSs and real estate firms are looking to transition to a telecom system which will integrate delivery of voice mail, email and data over the Internet using a centralized integrated communications system. This type of system is most appropriate where employees or members spend at least 30% of their time communicating with each other. It is ideal for real estate companies and real estate associations because much of the communication in the real estate process is with fellow REALTORS® and office personnel. A TLC partner can help you evaluate whether a move to internet-based telecom makes sense for your organization.



- **Telecom Vendor Consolidation/Cost Reduction**

Managing multiple telecom vendors can be a daunting task and may create inefficiencies. Companies would like to review all of the existing vendors providing data, and wireless to see if there may be some efficiencies and reduced costs to be realized by consolidating service providers. A Telecom Lifecycle Management partner can make this process a lot less labor intensive and more effective because they know how to look for the “loopholes” in telecom contracts

- **Data Transmission Speeds**

Transmission speeds for MLS systems, websites, and internal systems are critical since there is an ever-increasing amount of data being transmitted. Telecom Lifecycle Management companies review all of the MLS’s telecom hardware and software to see if technology upgrades might allow for faster data transmission speeds to better serve the needs of their members.

- **Improved System Reliability and Security**

System security is critical. According to the 2006 MLS Technology Survey from the National Association of REALTORS®, data and information security is one of the most important concerns facing the industry today. Many MLSs want to evaluate their entire data delivery process to ensure that it had the highest level of security available. Telecom Lifecycle Companies are not only skilled in telecom expense management. They have expertise in building secure networks and infrastructure as well.

- **Data Backup System**

It is critical for every organization to have effective back-up systems. During peak times, servers can be maxed out which can slow down transmission speeds and make for unhappy customers. Effective Telecom Lifecycle Management builds redundant system to maintain transmission speeds even during heavy traffic times. Also, in the event of a natural disaster, such as a hurricane or a catastrophic equipment failure, TLC companies will provide a redundant system that will begin working shortly after the primary network goes down.

- **Call Center Efficiencies**

Many real estate organizations have large volume call centers which are used to serve members and home buyers and seller. The Telecom Lifecycle Management process will examine the call center systems and telecom contracts to be sure they maximize customer service, while minimizing costs.

- **Wireless**

Mobile phone service providers are notorious for providing a series of very confusing call plans. Many companies allow their employees to contract with their own mobile service provider. TLC companies can help negotiate company wide programs which make is easier to deploy wireless MLS data and real estate applications, while saving money.



3. Results You Can Expect

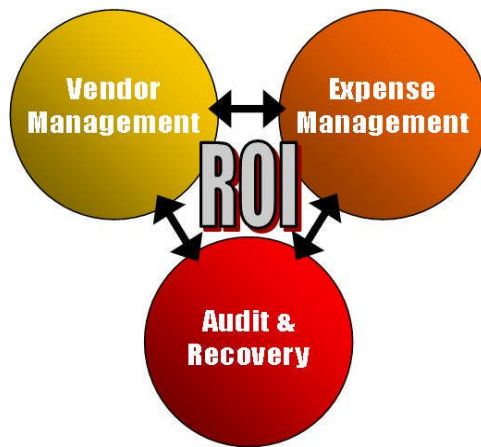
Cost-savings

If your firm contracts with a Telecom Lifecycle Management company, what kind of results can you expect? It is never certain until an audit is conducted and a baseline inventory is gathered, but studies conducted by the Aberdeen Group and others suggest there are significant efficiencies to be realized. Companies who have employed TLC have realized annualized savings between 15 and 25% of their total telecom spend. They have cut the cost of processing telecom bills in half and have been able to collect savings from overpayments from past billing periods.

Improved Data Security

TLC companies are not only expert in telecom spending. The best ones are also expert in network and data security. Not only will they help you save money, but they will also provide recommendations and best practices to improve the security of your network.

4. What will a Telecom Lifecycle Management Provider do for you?



A TLC outsource provider will partner with you and your staff to build a plan to more effectively manage the total telecom lifecycle. They will provide an integrated approach to maximize your return on investment of telecom services. They will help you layout system requirements, control expenses, and provide automated methods for auditing costs and network efficiencies while helping you continually source the right vendors for your ever-changing telecom needs.

Telecommunication Lifecycle Management can take many forms, but four components relate closely to a company's goals. These components are Audit & Recovery, Expense and Inventory Management, Service Renegotiation and Optimization, and Vendor Management

Step One: Audit and Recovery

The first phase of a telecom lifecycle management program identifies and remedies specific billing errors, providing both recovery of past overpayments and ongoing cost savings. Part of this effort is the completion of a detailed review of your organization's entire telecom environment. The audit will look at all of your telecom hardware like telephone systems, routers, switches as well as cell phones, PDA's, call center equipment, etc. Next the firm will review all of your contracts and service plans with telecom vendors. They will then review a series of your past invoices to check for errors where the telecom provider overcharged you for services. During the audit, they will also look to see if additional services that you did not order are on your bill. They also have a thorough working knowledge of tariffs and taxes and they will check to be sure you are paying the



right amount. Once this process is complete the TLC provider company will work with your telecom vendors and collect overpayments on your behalf. This windfall can be used to reinvest in technology upgrades, more efficient telecom programs or drop right to your bottom line.

Step Two: Expense and Inventory Management

The second phase of the process builds on the information produced by the audit. Using the knowledge gathered by the full system review, the TLC provider will help you build a framework for ongoing, cost-effective administration of telecom services. This management allows your organization to manage your vendors more effectively and utilize the appropriate telecom providers to support your changing needs.

Step Three: Service Renegotiation and Optimization

The third phase will optimize your contracts and vendor relationships. Your TLC partner works with you to renegotiate and optimize your contracts. They may suggest consolidating vendors to give you more negotiating leverage. They will also help you negotiate performance clauses that will help you measure on-going service levels against the contract and reduce overpayments.

Step Four: Service Ordering Management

While it is essential to negotiate the right contract with the best telecom carriers to match your needs, it can all fall apart when individual phone lines or wireless services are being ordered. Many real estate enterprises add, change, and disconnect service, open new offices, and support virtual agents working from their home. If somebody is not closely managing all of these changes, the firm may not be taking advantage of buying efficiencies or available rebates, and worse, it may be buying more telecom services than it actually needs. It also takes a great deal of time to set up new telecom services. By using a TLC provider, an MLS can save up to 1.5 hours for each phone line they may add or disconnect and save up to 40 hours when setting up an entire office.

5. Is Telecom Lifecycle Management Right for Your Organization?

If your telecom services including telephone, wireless, data services, call center services, pagers and equipment spending total over \$500,000 you may be a good candidate for Telecom Expense Management



Ask yourself the following questions:

- How much per year do we spend on all of our telecom services throughout our organization? What is our telecom maximization strategy?
- How many telecom service providers do we use? What services do they provide to us? When are those contracts up for renegotiation? Are the services contracted for at the contracted rates being delivered and charged correctly?
- Who in our organization manages telecom? Is this a strategic initiative or effective use of our limited human resources?
- How do we administer wireless devices and expenses? Do we have master contracts or does every person, office or region negotiate their own contracts?
- How much overpayment have we collected from past bills? Do we know how to effectively resolve telecom disputes?

If your telecom spend is significant, and you have a tough time answering these questions, you may want to consider a Telecom Lifecycle Management program.

6. Making Telecom Lifecycle Management Work for Your Organization

Benefits of TLC

There are several benefits that have been identified from companies who are actively involved in Telecom Lifecycle Management initiatives.

Effective Cost-Reduction

Telecom Lifecycle management helps senior management get a better handle on one of the most significant costs. Partnering with a Telecom Lifecycle Management firm brings a depth of telecom experience that is very difficult to maintain internally. Participants in the process say they have realized significant on-going savings they would never have been able to achieve without a TLC partner. It resolves a huge problem in terms of managing telecom for both voice and data while saving a considerable amount of money that can be used to reinvest in upgrading technology.

Centralized Decision-Making

Telecom decisions are usually being made all over the organization and thus companies do not realize the efficiencies they could. By employing the services of a telecom lifecycle management expert, companies can rely on a partner who can help them more critically evaluate their true telecom spending. By consolidating this information companies can renegotiate contracts with more purchasing power and leverage.



Allows Focus on More Strategic Issues

When the telecom lifecycle management solution is owned in-house, often someone becomes a "data entry" person. Outsourcing the management of the telecom lifecycle frees up key internal resources. It's almost impossible to quantify the amount of time savings companies realize with their internal staff, but do recognize it has helped free up some time focus on more strategic issues. TLC participants say that they can now spend more time thinking about ways to improve the quality of service we deliver to our customers through technology."

Lessons Learned

Evangelize the Potential of TLC

Without excellent telecom policies and procedures in place, there is often no way for a company to look at their telecom investments holistically or systematically. In order for a telecom expense management program to work, the company must be willing to enforce the telecom management policies put in place or the cost-savings and efficiency improvements will not be fully realized. Assign someone to build the policies and procedures and oversee the work being performed by the TLC firm. The person chosen should be one who has strong relationships throughout the organization. Arm them with the authority to consolidate vendors or make other infrastructure changes that will serve the greater needs of the organization.

Help the company understand the potential cost-savings and process efficiencies to be realized. This can help get over the natural resistance to change that will likely be experienced throughout the organization. Reward key departments and personnel responsible for the implementation of the programs with a promise to reinvest some of the savings into their areas or even a financial bonus based on effective execution.

Think BIG!

Be comprehensive in your definition of telecom. It isn't just about phone bills. It's about data distribution, network management, wireless services, call centers, local offices, video and voice conferencing, and just about anything that is transmitted across any kind of telecommunications network. This will give your organization the best shot of achieving significant savings and operational efficiencies.

Time is Money

Even if you may have just installed a new phone system, switched telecom carriers, or invested in a new data center, you may still be able to realize significant savings. Moving to Telecom Lifecycle Management is a process, not an event. You may be able to find simple savings initially by better auditing of all of your bills and then longer term, you may be able to look at more significant infrastructure changes or consolidate service providers.



7. Choosing a TLC Provider

If you believe TLC may be right for you here are some of the factors you may want to consider when choosing a Telecom Lifecycle Management company:

Industry specific knowledge

There are several TLC companies, but few have real estate industry specific knowledge. Our industry has very specific needs for data security and privacy protection. Our industry also has a level of customer service requirements unparalleled by many other industries. Your TLC partner needs to be intimately aware of these specifications and requirements. Ask for references from other MLS's, real estate firms or associations so that you can be sure they know what you need.

Comprehensive Expertise

Many companies are purely focused on auditing your current telecom systems and achieving soft savings. They are NOT expert in working with you to outline a long-term telecom plan, which will be comprehensive and flexible to work with you as your business needs grow and evolve. The TLC provider you choose should also be expert in all four phases of Telecom Lifecycle Management in order to realize all of the efficiencies and savings available. They also need to be expert in security and Sarbanes-Oxley compliance.

Vendor- Neutral

While many TLC companies have established relationships with partners, you need to be sure they will be vendor-neutral and will only bring you suggestions for carriers that best meet your needs. They need to be working for you, NOT for the service provider.

Data Conversion Expertise

The electronic population of the data from the telecom vendors to Telecom Expense Management applications is not always smooth. Often the data needs to be "scrubbed or massaged" to get it to populate correctly along with the manual invoices that need to be entered as well. Be sure the TLC firm you choose has successfully completed data conversions for the types of telecom support your firm requires. If they are not expert in importing all of your manual invoices into an automated system, the savings to be realized may be significantly reduced and the internal management required will be significantly increased.

Telecom Enforcement Policy/Procedure Expertise

The ideal telecom partner will be able to work with you to outline corporate telecom policies and procedures, which will allow your firm to realize the most savings over time. Be careful not to choose a firm who does not encourage you to build a telecom management implementation plan. They may be interested only in continuing to collect a percentage of your savings and NOT in helping you to dramatically increase the effectiveness of your telecom budget.

8. What Does Telecom Lifecycle Management Cost?

Telecom Lifecycle Management firms are "paid for performance", therefore they provide a guaranteed return on investment. The pay structures are based around shared savings. Initially the customer pays their TLC partner a portion of the savings realized by collecting past overpayments



and renegotiating contracts. Then, in Phase 2 the TLC firm works with the association on an on-going basis to continue to realize cost-savings while improving telecom performance.

At the end of each anniversary of your TLC agreement, all fees paid to the TLC provider for the preceding year will be compared to the total savings found for the customer. The TLC provider guarantees in writing that the amount of savings found would be greater than or equal to the fees paid for that year. The total savings found are calculated from audit findings, disputes, optimizations and any renegotiated or new contracts.

9. How to Get Started

There are two general approaches to Telecom Expense Management. Your firm can use a TLC outsource or you can choose to manage the process internally using application software tools.

TLC Outsource Companies

WAV Group's recommended approach is to partner with a Telecom Lifecycle Management company, experienced in the real estate industry. Generally, we believe this is the most efficient approach when an enterprise is first developing a telecom management program. The first advantage is that it does not require your company to hire any additional staff. The TLC firm will audit your current processes and recommend improvements with minimal upfront investment. They can help you understand your firm's true vulnerabilities so that you can re-align existing internal resources to be more efficient.

Outsourcing costs less than doing it yourself, including fees and shared savings, plus you are provided with the opportunity to more efficiently and effectively utilize your labor pool.

This model also allows you to evolve portions of Telecom Lifecycle Management internally as your staff gains expertise. They can learn from telecom experts and be better prepared than they would have been if they engaged on this project alone.

Internal Management

Another option is to buy application software and then hire staff to manage it. This approach brings some inherent advantages and disadvantages. It allows you to maintain full control of the process and realize all of the savings from overpayment recovery and improved efficiencies.

The disadvantages are significant, however. Depending on the size of your firm, it will probably require hiring new staff throughout the organization. It will also require that at least one member of the executive staff become expert in telecom expense reporting in order to ensure the success of the effort. It also means that internal staff will have to become expert in the ever-increasing complexities of the telecom industry, which is no easy task.

Running and managing your own internal TLC solution will likely not result in the appreciable savings you can expect when outsourcing these processes to a firm whose core competency is Telecom Lifecycle management.



10. Learn More

If you would like to learn more about Telecom Lifecycle Management you can refer to the following resources:

Association of Telecom Management Professionals (AOTMP) –
<http://www.aotmp.com>

Telecom Lifecycle Management Books Available

Telecommunications Cost Management

by [Brian DiMarsico](#), [Thomas Phelps IV](#), [William A. Yarberry Jr.](#) "Telecommunications is the second highest nonoperating expense for the average Fortune 1000 firm

Telecom Audit: A Complete Cost-Reduction Strategy for Your Corporate Telecommunications Bills

by [M S Mastel](#) "You pay your phone bill every month, just like everyone else..."

Telecommunication Expense Management: How to Audit Your Bills, Reduce Expenses and Negotiate Favorable Rates

by [Michael Brosnan](#), [John Messina](#), [Ellen Block](#) "The Historical Perspective: The 1984 breakup of the Bell System separated AT&T from the Bell Operating Companies (RBOC's

CONTRIBUTORS

WAV Group would like to thank Solarcom, Inc for their generous contributions to this paper. Solarcom has provided IT infrastructure and financial solutions to enterprise and mid-range businesses nationwide since 1976. The privately held organization focuses on cost-efficient, cutting-edge solutions in core business areas including Enterprise Systems, Storage, Telecommunications Services, Internetworking, Disaster Recovery, Business Continuity and Hosting. As a total solutions provider, Solarcom offers financing and leasing options for hardware, software, installation, project management and professional services.

Solarcom is a strong performer in the top ranks of the annual VAR Business 500 and a leader among independent providers of technology solutions nationwide. The company operates 28 offices across the United States and employs an infrastructure team of more than 40 certified engineers. Currently serving over two-thousand enterprise customers and many members of the Fortune 1000, Solarcom holds enhanced strategic positions with numerous IT manufacturers and is the "go-to" partner for many of the industry's top-tier IT vendors.

Mr. Kevin Dougherty
 Solarcom Inc.
 703 636-9360
kdougherty@solarcom.com
<http://www.solarcom.com>



ABOUT THE AUTHORS

WAV Group provides consulting services to the Real Estate industry. The firm helps Multiple Listing Services, associations, real estate firms, franchise organizations and technology vendors in the US, Canada and Europe achieve their business goals. WAV Group has expertise in the areas of business development, technology evaluation and selection, franchising, product management, strategic planning, marketing and research. The company also publishes several research papers including its annual MLS Technology Survey and Transaction Management Adoption Study.

Mike Audet
716 839-4628
mike@wavgroup.com

Marilyn Wilson
805 473-9119
marilyn@wavgroup.com

COPYRIGHTS AND DOCUMENT DISTRIBUTION

This document is protected by United States Copyright Laws and International treaties. This document may not be reproduced, transmitted in any form or by any means without the consent of WAV Group. The trademarks and registered trademarks mentioned in this document are the properties of their respective holders.

Information contained in this document has been received from sources deemed to be reliable, but is not warranted by the publisher. Opinions reflect judgment at the time of publication and are subject to change without notice.

