

Expense Management of Telecom Invoices

Todd Calman - President

Tariff Affiliates, Inc.

For decades corporations have been overpaying on their telecom invoices. Many executives are totally unaware of this and in fact find it so hard to believe they continue overpaying. And why not? If they are showing a profit and have covered the over payments in the revenue plan, they believe everything is OK. Besides, they know their Accounts Payable Department is checking the invoices. What they do not realize is that the A/P department is comparing them to last month's invoice, which was in error.

Too often it's only when management finally sees the bottom line shrinking that the compelling need to look for expense reductions actually drives the action to look further than any prior cost cutting effort. When managers hear of another company getting desperate for improved profit margins, they think, "I'm glad it's not us"! History shows they are only delaying the inevitable price pressures.

When the pressure is exerted on management by the market place, they usually look to the main line business activities to cut costs. This is always a good place to look, but certainly not the only place. There is one area of administrative cost reduction that is quick to achieve and over 98% of the time yields a large reduction, thus achieving immediate and significant profit improvement. Believe it or not, a recent Aberdeen study verified that telecom invoices are routinely over billed by 12% to 18%.

Why are these regulated invoices over billed?

In the telecom industry rapid changes have occurred bringing about a plethora of new services. The main line telecom companies have been unable to change their legacy billing systems to adequately adapt to all the new service offerings and pricing plans. Hence the systems have little chance of accurately billing to the actual contract terms. Obviously other reasons exist for these billing errors, such as administrative mistakes and even the occasional deliberately confusing fine print.

Other over billing is due to the client company not adequately keeping up with the service inventory and the hardware inventory they are employing. One phone installation contractor told me that a Fortune 100 corporation frequently asked for additional lines to be added to handle the growth in staffing. He laughed because he knew there were even more unused lines available, and they were being paid for every month.

What actions can be taken and what are the expected hard cost benefits?

A proper initial audit combined with an ongoing monthly audit of all invoices will yield an immediate, average savings of 12% to 18%. When contracts are expiring, a thorough knowledge of who to negotiate with and how to negotiate is invaluable. I have seen clients receive as much as a 50% reduction in their long distance bill by switching to the right vendor.

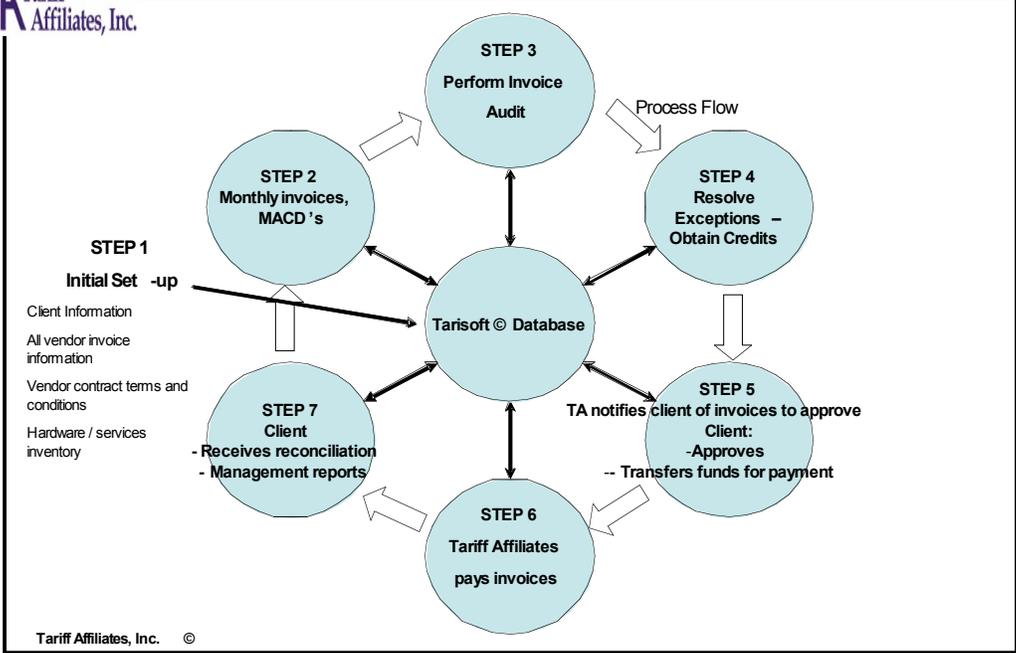
Some clients believe they should use a consultant to perform an initial audit only. The telecom industry is notorious for the re-emergence of errors. This is called "breakage". In fact, an additional 3% of telecom invoices will be in error each and every month. By the end of one year approximately 36% of the invoices will have reverted to over billing. In order to manage breakage and the client's usage, a monthly process is necessary.

What is the process for controlling telecom invoices?

Tariff Affiliates uses a 7 step process, the "Hi-Q Solution" to manage telecom invoices. At the heart of the Hi-Q solution is their proprietary database, Tarisoft. The Hi-Q Solution consolidates all the invoices, performs a monthly validation and then integrates the expenses into the client's general ledger. The client remains in control of the process, by approving each validated invoice before it is paid. Each successive month repeats steps 2 through 7.



Tariff Affiliates, Inc. - Seven Step Process for Expense Management



What other benefits can be achieved?

Many other benefits are noticed, but are more difficult to measure. Following is a partial list of benefits mentioned by actual clients.

- Reduced staffing through Business Process Out sourcing (BPO)
- Improved management of expenses / better executive reporting
- Identify and eliminate “phone” abuse
- Improved interdepartmental communications
- Rapid, accurate budget development
- Seamless transition of staffing responsibilities when staff turnover
- Disaster recovery of invoice data / history
- Improved contract negotiation
- 24/7 access to all invoice data and reports
- Eliminate need for internal staff to manage Moves / Adds / Changes / Deletes

How difficult is the transition from in-house support to out sourced support?

The transition should be nearly seamless, if it is led by a competent BPO vendor. Step one in the seven step process highlights some of the base information needed to initialize the clients’ database account. Changing all the invoice delivery addresses to the BPO vendor is simple and can be accomplished in about two weeks by the BPO vendor. The entire process including the initial audit should take less than one month.

Out sourcing telecom expense management is one way to quickly increase the bottom line, while freeing internal resources to focus on the main line business. Why wait for competitive pressures to address this opportunity?

About Tariff Affiliates, Inc.

Tariff Affiliates, Inc. was started in 1991 to address the need of small companies to get on the most beneficial tariffs. In the past sixteen years several hundred clients have been serviced including Fortune 500 companies, franchises, not-for-profits and schools. Tariff Affiliates has saved several clients in excess of \$1 million each. Tariff Affiliates was one of the first expense management companies to develop a database (Tarisoft) for efficient expense management and superior client care. Tarisoft has been continuously upgraded since 2000, and is now in its third major release.

Located in Victor, NY, Tariff Affiliates, Inc. provides every client with their own personal account team. Tariff Affiliates is dedicated to using Lean Practices to improve their internal operations and can bring this skill to bear on any clients’ processes as well.