Managing Mobility...

What You Don't Know Is Costing You

Are your employees on the most cost effective wireless rate plan? While many Canadian organizations understand that the use of wireless devices such as cell phones can benefit productivity and efficiency, it's what they don't know that may be costing them.

Most organizations find managing their wireless total cost of ownership (TCO) to be a daunting task with literally thousands of rate plans, coverage areas and other considerations to be aware of. Without the help of specialized software, deciding between the cost-effectiveness of various plans, coverage footprints and features becomes unattainable.

Of course, no organization wants to limit employees' use of cell phones as productivity tools, so it is essential to find an optimal, usage-based, rate plan that will reduce the high roaming and overage costs faced by many organizations.

Unfortunately, a common strategy followed by companies to eliminate those higher fees is to purchase very high minute plans, to ensure that employees will not exceed their allotted minutes. Clearly, this approach results in under-spent minutes and over-spent dollars with the carrier receiving the benefit at the expense of their customer. "Wireless carriers tend to benefit from any confusion over rate plans, and may expect as much as **50% of their profit** to derive from consumers going over or under their chosen rate plan." (Greg Fitzgerald, VP of Traq Wireless Inc.)

In an effort to reduce those costs, some companies will look to their carriers for help. While some carriers may offer some type of optimization, in an attempt to temporarily satisfy management, it will rarely make the task of managing devices, choosing rate plans and features less confusing.

In the maze of rate plans and services, organizing and analyzing wireless billing is an overwhelming task. Some organizations may approach the task armed with little more than Excel spreadsheets to tackle departmental and minimum-to-maximum spending. This approach may work for some small firms, but proves woefully inadequate to provide the asset management capabilities expected by larger and expanding wireless subscribers.

"If you don't have some sort of enterprise technology that systematically collects telecommunications usage and billing data in standardized format, it is very hard to reconcile the invoices against the purchases on paper manually, due to the volume and complexity of the invoices," says Aberdeen research director Christa Degnan. "This is compounded by the fact that telecom carriers' billing systems are so poor that they frequently bill in error." Aberdeen estimates that, on average, invoices have an error rate from 7 to 12%.

How are companies to know whether there are costly errors on their bills?

Some of the numerous questions that might be asked are:

- Do I actually have this service?
- Should there be taxes on it?
- Are all the listed fees legitimate?
- Did I cancel this item within the month?
- If so, is the charge pro-rated?
- Has the cancelled service been discontinued?
- Have associated services been discontinued?

Even with an army employed to the task of checking all that should be checked, you are not likely to discover and correct errors before the month is up and another statement arrives. Most companies must rely on trend analysis to indicate if their billing is on track. But what if that billing has perpetuated errors over a long period of time?

Carrier Perspective

Average Revenue per Unit (ARPU) is a key metric when determining success of a wireless carrier. In fact, every wireless carrier reports their ARPU within their financial statements to shareholders. For example, the Telus 2004 Annual Report claims "average revenue per subscriber unit (ARPU) of $60 per month in 2004, up from $57 per month in 2003". (Page 11, Telus Corporation Annual Information Form, year ending December 31, 2004.) Wireless providers and their salespeople strive to maximize their ARPU which is often achieved by promoting a confusing array of new plans, features, add-ons, and extras such as web browsing and text messaging.

While organizations are focused on lowering their monthly wireless telecom expenditures, the carriers, are fixed on increasing their ARPU thus making their stock more attractive to shareholders. Given these conflicting goals, it is clearly unrealistic to expect that a carrier will work to benefit you by actively decreasing their revenue.

How Are Carriers Responding

One approach taken by some carriers to this cost versus revenue conflict has been to offer an optimization service. But just how optimized is it likely to be? Consider:

- Would they honestly work to decrease ARPU to make you happy, at the risk of upsetting their shareholders?
- How rigorous is their rate plan optimization? Is it undertaken with proven, algorithmic optimization tools, or some obscure or arbitrary approach?
- Do they guarantee, in writing, the savings presented to you?

- How much have they saved other customers who have signed up for their free optimization service? Can they back this up with testimonials?
- Does the carrier apply an historical predictive model as part of their optimization service, accounting for seasonal and fluctuating usage, and allowing for rate plan changes before usage begins, rather than after the fact, resulting in maximum savings for a company?
- How often are rate plan optimizations performed? Monthly, quarterly, or "as soon as possible…"?
- Why are they only telling you, the loyal customer, about their optimization and/or discounts now, leaving you feeling like you've been overcharged for years?
- If you have multiple carriers, are all your carriers willing to help you optimize?

Typically, carrier rate plan recommendations are made using "basic spreadsheet" averaging applied over a three-month snapshot of average airtime. As rate plan changes are implemented four to five months after the actual usage, how is a company to catch up and truly be optimized? This may also be compounded by the seasonal nature of some industries. Ultimately, this so-called "optimization" approach may, in fact, result in increased costs to the subscriber.

Third Party Objective Optimization Approaches

Addressing the shortcomings of the rate plan optimization approaches taken by some carriers, a new approach to managing use and controlling costs of mobile communications is now sweeping the marketplace. This objective third party initiative works to maximize productivity, cost efficiency and competitive advantage in a low-risk environment for the wireless subscriber.

The new management method, employed through web based software, uses sophisticated optimization engines applying statistics-based algorithms and techniques. An analysis of an individual's usage and calling patterns generates a unique profile for that user; then that profile is automatically compared to hundreds of carrier rate plan options on a monthly basis. This sophisticated comparative analysis results in the most optimal and cost effective rate plan, tailored to fit that individual's specific usage.

For the organization, this typically translates to an aggregate cost saving of 20 to 50% on total wireless spending – and that is over and above any carrier-initiated optimization.

Again, bear in mind that carriers:

- Have no incentive to lower their revenue
- Motivate their sales reps with incentives to increase ARPU
- Only provide optimization services for themselves, not for multiple carriers
- Do not support best practices management for soft dollar savings

Other Benefits of Third Party Optimization

- One focused, consistent approach for managing and optimizing devices from all carriers
- Centralized directory of wireless users, devices, plans and carriers
- Mobile asset management, cost center chargeback, and reporting tools
- Less bureaucracy; no automated answering system; no waiting time on phone, or waiting to hear back from a carrier rep.

About Alliance Information Systems

Alliance Information Systems is proudly Canada's only cross-carrier provider of enterprise wireless management solutions. Headquartered in Calgary, Alberta, Alliance Information Systems and the allianceone™ tool provide companies with unprecedented cross-carrier visibility into their wireless spending.