Mobile expense management–taking the big picture view

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Managing mobile costs is a challenge for all organisations, especially as responsibilities and budget authority may often sit in several places—IT, finance, personnel, managers and, of course, the employees themselves. This situation becomes even more complex and problematic for those organisations that span across countries or have to use multiple suppliers within one country. Getting to grips with these costs in a way that does not undermine the value of mobile flexibility is paramount, and organisations need to gather sufficient detail to effectively manage and analyse their mobile costs.

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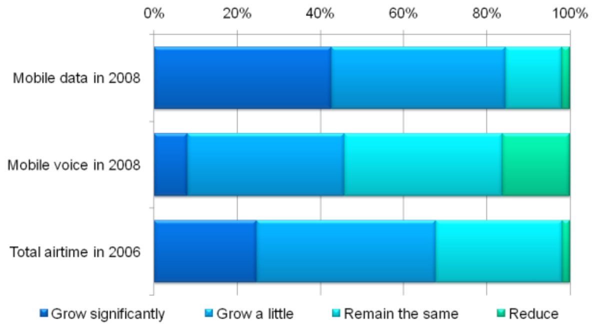
1. Introduction

In less than a couple of decades, the mobile phone has moved from a clunky accessory for city types to a ubiquitous communications tool. Although phones are cheaper and more powerful than ever, the ongoing airtime costs grow in direct proportion with usage and can soar while roaming, despite volume discounts and flat rate tariffs. Handsets are easy to buy, users are fully accustomed to their use so, for business in particular, costs are escalating (Figure 1).

Figure 1

How is spend on mobile services (airtime for voice and data) expected to change in the coming year?[1]



There are many factors driving this:

- **More users**: many different job roles now demand a company-issued mobile phone, or for the employer to at least pay the bill.
- **Beyond voice**: no longer is a simple phone sufficient—there is vastly increased use of mobile email devices, smartphones with internet access and laptops with a dongle—so data growth is outstripping voice.
- **Fixed to mobile**: even next to a cheaper to use desktop phone, most employees find a mobile phone more convenient. Not only is it always with them, it has all their contacts contained in easy to navigate address books.
- **Consumer impact**: as a constant part of daily life, the mobile has become an extension of personality. At one time simply ringtones, it now includes features from cameras to social networking and applications.
- **Operator push**: margins—for voice in particular—are declining in many markets, and operators are under pressure to grow Average Revenue Per User (ARPU). While it is hard to drive up individual prices, it is in operators' interests to bundle, combine, and sometimes confuse, with tariff propositions.

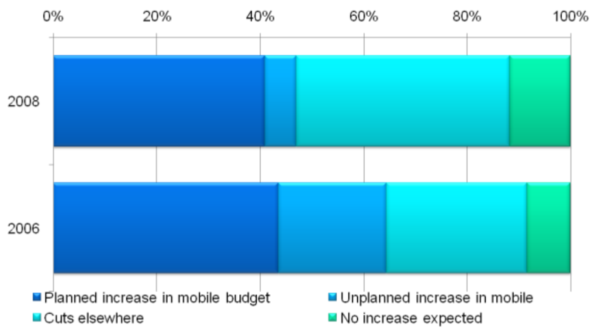
Employees recognise that mobile phones are powerful tools which can add great value, but this comes at a cost. Businesses have to understand and take control of those costs right across their organisation to ensure they are not excessive, disproportionate or incorrectly levied.

2. Scale of the problem

While it often appears easy to portray the benefits from the growth in mobile communications—flexibility, responsiveness and so on—the increase in mobile budgets has to be justified. When economic times are relaxed, unplanned increases are more accepted or mobile costs are lost in the noise. When budgets are tight and tightening, this luxury disappears and something has to be cut (Figure 2).

Figure 2

Where are the additional funds coming from?[1]



Unfortunately this picture is less rosy than it appears. Not only do cuts have to be found in other budgets, but most organisations will need to cut mobile costs, despite the positive factors encouraging usage.

Worse still, many organisations do not have a clear picture of their actual mobile spend and, although notional budgets may be set, the total real mobile costs across departmental and regional boundaries might never match or be accurately allocated.

Bad bill scare days:

- *Personal calling is typically over 26% of the total bill, often vastly greater - largest personal use declared on a monthly bill – £1729.28*
- *Largest spend on directory enquiries by one user in one month - £515.09*
- *Most expensive single call - £357*
- *Most expensive data use - £3066*

(Source: ttMobiles customers in 2009)

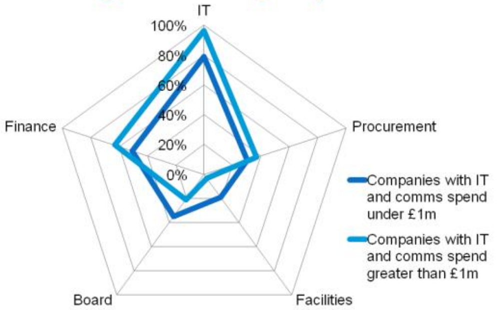
This is an often hidden or dismissed waste of budget which has often gone unchecked or unnoticed.

3. Who knows, who cares?

The ease with which handsets and services can be ordered is part of the problem, but so often the root cause is fragmented ownership. While there are often several different internal groups involved, the IT department is generally the most visible, since IP telephony and mobile use of data means that many previously telephony specialist management functions have been absorbed by it (Figure 3).

Figure 3

Which parts of the organisation are involved in the commercial management of telephony?[2]



Other departments are also involved, with larger companies relying further on finance and procurement, and smaller ones still using a 'facilities' function and having more input from the board.

All parties will have an opinion, but they are involved at different stages and in different aspects of the purchase-and-use cycle and, without the most rigorous processes, this leads to significant gaps:

- Devices ordered, but left unused in 14% of companies, or orders cancelled, but bills not checked or stopped.
- No personal call claim procedure in three quarters of organisations, yet high personal call and text volumes.
- Employees leave, but bills still paid – handsets typically not returned by 40% of leavers.
- Devices with all functions enabled and billed for, but only certain ones actually used.

While the input from supporting departments is important, it misses out a vital factor—the information about who, why and how the communication services will be used. In other words, the actions of the employees. This, and the decisions of their managers, is critical to understanding what is really going on, how important it is to the business, and therefore highlighting where cost savings can be made without a negative impact on the business.

Details of call records, data usage, and the tariff costs applied to each, need to be gathered for every handset, and matched to the person responsible for using the device. Gathering this information together is time consuming and complex, especially as it has to relate to individuals, not just phone numbers, so that it can be understood by those in the business, not IT or telecoms specialists.

Top down versus bottom up

While the push to reduce costs will often come from the top, taking a percentage axe to indiscriminately reduce budgets is not the right approach as it takes no account of problem areas that should be cut harder, or beneficial areas that should remain untouched.

Ultimately, to ensure that worthwhile analysis can be performed, precise usage costs need to be collected and then reflected down to the point of use—the employee.

While there is a legitimate concern about data privacy, employees, their managers and, ultimately, the employer, need to understand the uses to which communications technology is being put, to determine whether they are suitable and appropriate, and that the organisation is getting value for money.

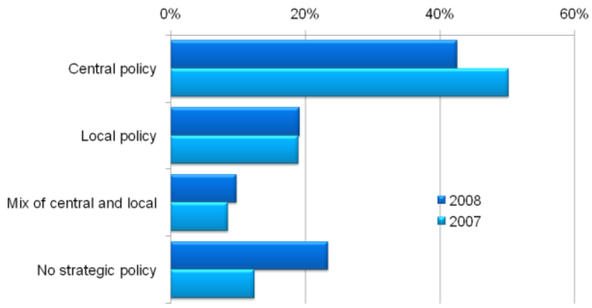
4. Issues for larger companies

The process of gathering the detailed and justified usage data is not within the capabilities, or interests, of the carrier. For organisations with services supplied by more than one operator, in particular those covering multiple countries, the issue is even more challenging.

For the organisation itself, not only are there multiple supplier issues to deal with, but there will also be different internal agendas and objectives. Even with a common and consistent strategy, there are also many regional differences that need to be accommodated—language, currency and legal etc.—and around a quarter of large European companies appear to be shying away from setting any strategy at all (Figure 4).

Figure 4

What is the strategy for choosing mobile providers?[1]

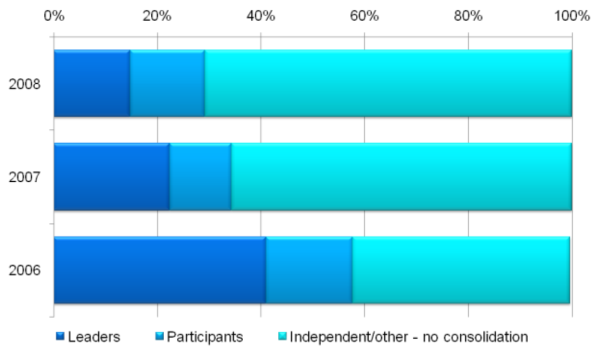


However, many multi-national organisations would still like to bring mobile usage under a centrally defined common strategy, but they have few implementation options:

- A single carrier: finding one large enough to have the right footprint, or at least willing to front all contracts, is not easy and many, in any event, will be too constraining.
- Operator alliances: these have tried to harmonise across several individual operator footprints, although this is problematic and the alliances have had poor awareness and patchy reputations.
- Multiple carriers, common framework: rather than leaving it to the carriers themselves, the customer takes control, but this requires significant effort to harmonise and manage disparate contracts into a consistent framework.
- Multiple carriers, global analysis: keep it separate, but bring all the information—contract and billing—into a common database so that it can be analysed.

The appetite for contract consolidation, once a 'Holy Grail' for many customers, appears to be shrinking (Figure 5). The value of a simpler and easier to manage single contract is undermined by the overall complexity, and often the need and value of driving local deals in order to meet local needs.

Figure 5
Roles played in mobile contract consolidation[1]

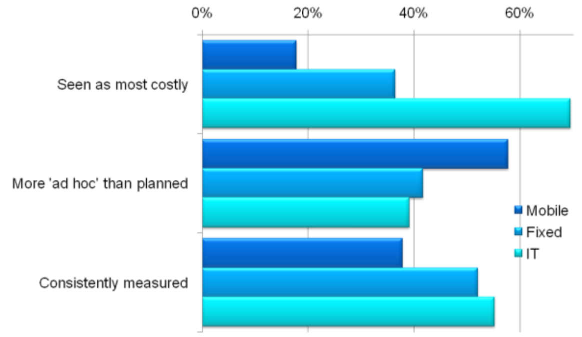


Also, despite operators trying to put together coherent multinational propositions, their own 'internal market' is far less competitive than the external one between competing operators. Their customers are still driven tactically to get the best price locally, but still there is an overarching strategic need for the wider organisation to get a handle on the total spend, and perform sensible analysis in order to gauge the importance of different aspects of service.

5. Conclusion

Getting to grips with their bigger mobile picture is something all companies could do but, until the recent economic downturn, it has not been a priority. First, despite frequent complaints about high tariffs, for most companies mobile projects have not been seen to be as expensive as fixed communications or 'regular' IT projects (Figure 6).

Figure 6
Mobile, fixed telecoms and IT project differences[1]



However, mobile projects are more often ad hoc and are less consistently measured, and this is the root of the problem. For too long it has been too easy to sign up to or use mobile devices and network services, and it has been too difficult to track valid usage or abuse. It has also proved difficult to manage the lifecycle link between user and service, so that when they move departments or leave the organisation, the information is poorly captured.

To do this requires much more than a top down view of budgets and a simplistic investigation of the bills. Organisations need to build up from the fine-grained detail of device call and data records, assigned to individuals, to cost centres and departments. For multinational companies or those with multiple mobile suppliers, this should then build into a common and consistent picture across the entire organisation, allowing cost and value analysis and comparisons, but without requiring a consolidation of suppliers or contracts.

Employers need to get a grip of mobile costs, not simply to close down or prevent mobile usage, but to treat the services and airtime tariffs as assets that need managing, just like their physical ones.

References:

1 – Quocirca European telecoms research, 2006 - 2008

2 – Quocirca "Total telecom expense management" report, April 2008

Recommendations for tackling mobile cost issues

Drop the denial: Most companies either do not believe they have a problem with their mobile estate, or believe the problem is too small to bother addressing, but these beliefs are not founded on the full facts. Pressures on expenditure will continue to increase and it is far better to understand the size and shape of the problem, before trying to make any resolution.

Identify the stakeholders: Often many people are involved in different aspects of mobile from procurement to invoicing. In different geographies there may be local responsibility, but it will still often fall to multiple groups or job roles. All those involved in the processes need to be considered, from finance and HR to IT and facilities management, to ensure that existing practices are understood, so that when recommendations for change are made, all will be in alignment and agreement.

Appoint a champion: While different departments and groups will be involved, in order to pull together a consistent understanding of mobile costs right across the organisation, a single person will need to take responsibility as the focal point for the project. This needs to have board or senior management level commitment to ensure that this individual will not be obstructed by petty internal agendas.

"Ground-up" data collection: Gather all information from the bottom up to ensure that everything is captured. Do not rely simply on purchase orders and activities to have gone as planned. Extract the current ongoing billing information and link it at the most fine-grained level to individual devices and people. Only then can it be aggregated up into departmental and regional units.

Shared repository, individual access: Keep all the information in a common and consistent format in one place, so that sophisticated analysis can be performed and different views on the data can be created. Not everyone will need (or want) to see everything, and too much information will simply overload, so ensure that it can be formatted specifically for each type of stakeholder—individual, cost centre manager, regional manager, functional managers etc.

Avoid over-consolidation: While most companies would like to reduce the number of suppliers, especially those supplying a similar service but in different locations—such as regional operators—this is difficult to achieve without compromising best-of-breed decisions in each locale. It is far more important to be able to deal efficiently with multiple suppliers and accurately compare between them on a like-for-like basis.

Tightly manage devices: This helps with security and consistency, and avoids unexpected costs e.g. from former employees. This can be run and managed in-house, outsourced, or provided as part of a carrier contract, but it is generally better if a single platform, service or solution is used to manage all devices and all users with all types of connections.

Face up to personal usage: And ensure employees do too. Do you charge employees for personal phone calls and make them pay for broadband at home when it's partly used for business? What restrictions are appropriate for international calls, using the internet in the office, Wi-Fi hotspots, or premium rate numbers? What legal implications are there against expenses and usage? Employees need to be aware of their personal usage and commitments, and managers must responsibly enforce controls based on a well-communicated company policy. Those with cost centre responsibility should also be given access so they can analyse, check and validate supplier billing for their area.

About ttMobiles

ttMobiles is the UK's leading provider of mobile phone management services. It is independent of the mobile networks, and its services cover mobile assets, policy compliance and billing management, and deliver cost savings through implementing best practice in mobile management.

With the launch of its new Vanttage service ttMobiles' has extended its international capabilities, enabling clients to consolidate information across countries and currencies. Existing clients have fleets ranging from 200 to over 50,000 devices, based in the UK, Germany, France, the Netherlands, Eire, Hong Kong, Tokyo, Beijing and Shanghai.

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Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with firsthand experience of ITC delivery who continuously research and track the industry and its real usage in the market.