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SmartSpend™ Bulletin

How to Stop Overspending on Enterprise Wireless

Enterprise wireless spending continues to reach record highs. Unfortunately, so does the amount by which businesses overpay carriers for wireless services and devices. NPI estimates that the average enterprise overspends by an astounding 38 percent – a problem that will only worsen in the years ahead as enterprises push for more mobility while struggling to gain visibility into their telecom costs. So, what can companies do today to reverse the trend?

Enterprise wireless spending is notoriously difficult to manage, and the problem only stands to worsen as visibility into wireless costs continues to decrease. The factors contributing to this opacity are numerous and dynamic.

At the billing level, corporate-liable devices are invoiced across multiple accounts with each invoice referencing thousands of data points. Then there are the plans and features associated with each device. Today, carriers have more than 50,000 plan and feature codes (even though they may present only a dozen offers) and have no vested interest in helping enterprise customers select the ideal combination of subscriptions. The result is that it's easier than ever to over- or under-subscribe with either situation having the same outcome: overspending.

Finally, there are contractual commitments. On top of the monthly subscription and usage charges, enterprises lack ready visibility into one-time charges and credits for device purchases, activation credits, early termination waivers, etc. It's another trap for cost acceleration.

Meanwhile, consumer-first carriers like T-Mobile and Sprint are fighting a fierce battle for enterprise market share and forcing the competition to offer more aggressive incentives to retain and grow subscribers (examples include higher activation and renewal credits). Enterprises fed up with Verizon and AT&T's revenue tactics are paying close attention.

FACTORS THAT WILL DRIVE ENTERPRISE WIRELESS OVERSPENDING HIGHER

The chaos and complexity across the wireless ecosystem is driving enterprise overspending higher. According to NPI's research, the most common wireless cost increases and overspending pitfalls facing enterprises can be attributed to:

- Inability to align usage with carrier options. Each mobile device subscribes to a plan that covers usage of basic voice, data, and messaging – or all three. This can either be on an individual consumption or a pooled basis. On top of that, the device may subscribe to various features for data and messaging (if not covered in the primary plan) and to cover for international calls or roaming. The only way to match consumption with the correct subscriptions is to know the usage profile of each individual user – and this is not a one-time event. To be successful, usage profiles need to be evaluated at least once per quarter. NPI recommends that enterprise customers with more than 5,000 subscribers review consumption and adjust subscriptions monthly.

NPI estimates that **the average enterprise overpays for wireless services** by 38 percent.

- Low visibility into wireless churn and rogue purchasing across the business. Visibility into wireless churn and asset inventory has been diluted across the business. Who's using which devices? Are (and how are) these devices being used?

  Carriers often provide growth credits for activating new subscribers and waivers for early termination. How are these being tracked and applied? What about device subsidies? Is the carrier offering devices at no cost? Carriers have also introduced Mobility-as-a-Service (MaaS) plans that bundle device leasing with subscriptions. The new MaaS plans often come with "white glove" service and replacement support. These can be valid tools, but the decision to use them requires fully understanding current costs.

  The questions outlined above are the foundation of enterprise wireless cost management, but the answers remain elusive to most companies. This problem is made worse by the decentralization of wireless spending and "shadow IT." It's not uncommon for departments to go rogue and purchase wireless assets outside of corporate protocol.

- Failure to leverage customer value and volume. The most damaging result of low visibility into wireless usage and spend is the inability to negotiate effectively with carriers. Customers that know the details of their consumption, costs and which devices are coming out of contract are best positioned for effective contract negotiations – especially those that can demonstrate potential for growth.

- Failure to secure best-in-class rates, discounts and incentives. The wireless cost management landscape continues to evolve quickly and drastically. In addition to more device options, there are more plans and discounts than ever before. Employees are using a growing mix of smart phones and tablets to perform a larger portion of their responsibilities, making costs even more difficult to manage.

  The complexity and opacity surrounding carrier pricing and discounts has led many enterprise customers down a path of unjustified overspending. Most companies don't have the internal resources, deep understanding of wireless carrier plans and street-pricing insight to confirm whether or not they are paying carriers a fair price. Meanwhile, it's becoming more difficult to get carriers to provide subsidies and discounts for the latest and greatest devices. NPI suggests companies benchmark wireless spending as the first step in eliminating overspending, and make sure they have the negotiation bench strength required to extract competitive incentives from carriers.

- Mobile device management. Given the mix of user- and corporate-owned devices across most businesses, the need for MDM solutions to secure and manage access to corporate data is on the rise. Meanwhile, the MDM marketplace continues to experience a great deal of volatility. It's crowded with a mix of emerging and established players from all corners of the IT sector including contenders like Apple and Google who are building MDM capabilities into their respective operating systems. The capabilities and pricing of these vendors vary greatly and not all have the device, application, security and service management capabilities required to service the enterprise.

  It's important for enterprises to carefully evaluate these capabilities against their own requirements, separate out any bundled costs, and benchmark costs to ensure fair market value. The right MDM solution can help manage and reduce wireless costs across the enterprise – especially when the MDM purchase itself is optimized.

Wireless cost management continues to be plagued by low visibility into spending and usage patterns, as well as rogue purchasing of wireless assets across the enterprise.

7 QUESTIONS TO REGAIN CONTROL OF WIRELESS COSTS

To eliminate overspending on wireless services, solutions and devices, enterprises need to ask the following questions:

- Are you receiving fair market pricing, incentives and discounts from your carrier(s)? Conduct peer-based and apple-to-apple comparisons between competing plans in the marketplace to determine if you're paying a fair price for wireless services and receiving competitive discounts and subsidies. If you don't have the pricing data and market visibility to do this in-house, consult with a third party.
- Is actual usage aligned with the carrier plans and features that have been selected? If users are over-utilizing or under-utilizing voice minutes or data volume allotments, you are overspending.
- How are early termination fees impacting wireless spend? Understand how often you're paying these fees, and the projected impact of these fees over the coming year.
- Are you leveraging individual users to capture maximum discounts? Remember, individual users can often use a corporate promotional code to sign up for wireless services. It's a win-win situation as users typically receive more favorable pricing and their devices also contribute to tier discounts and potentially other credits.
- Are you auditing usage and billing on a monthly basis? If you're not reviewing usage and billing accuracy on a regular basis, you're leaving money on the table – especially if you're still new to shared data plans. Plan optimization is an ongoing exercise, and billing errors are rampant among all wireless carriers.
- Are you benchmarking MDM solution purchases? Rates, discounts and incentives aren't the only aspects of your wireless spend that need to be benchmarked. Apply the same treatment to MDM solutions to make sure you're paying a fair price and receiving optimal terms, conditions and discounts.

- Do you have full visibility into wireless spend across your entire organization? Beware of rogue departmental spending across your business – it costs you money and leverage with carriers.

A NEW APPROACH TO WIRELESS COST REDUCTION

To reduce wireless costs, NPI advises a three-phased approach that encompasses usage management, pricing visibility and internal auditing controls:

Align: To gain visibility into wireless spending and eliminate carrier overpayment, companies must have a clear view of devices and usage patterns. This requires maintaining a detailed inventory of every wireless device being used in the enterprise; actual voice, message, data and international/roaming usage; and plan utilization. This data should be reviewed to determine if usage patterns are aligned with plan and feature selection, if any users have become inactive, and if the proper discounts are being applied.

Benchmark: The alignment of usage and plans is most effective if companies are paying a fair price at the onset. Most companies have little insight into whether carriers are charging fair market value pricing for wireless services, and if they're receiving competitive tier discounts and incentives. One company may have a tier discount of 18 percent and another 20 percent for the same volume of spend and/or number of devices.

Businesses need to execute a two-pronged benchmark strategy. First, carrier pricing and discounts should be benchmarked against competing carrier rates. Second, companies need to analyze their usage patterns and subscribe to the plans and features that match their requirements.

Capture and Control: The cost savings opportunities uncovered by executing usage alignment and price benchmarking strategies are substantial in both scope and number. Using these tactics, NPI finds significant wireless savings opportunity for over 80 percent of the companies it advises.

Once identified, these savings can be captured through a combination of activities including carrier contract renegotiation, user inactivation, and plan and feature optimization. It's important to note that this is an ongoing process. Wireless usage and billing needs to be audited monthly to ensure alignment and accuracy.

ABOUT NPI

NPI is an IT sourcing consulting company that helps enterprises identify and eliminate overspending on IT purchases, accelerate purchasing cycles and align internal buying teams. We deliver transaction-level price benchmark analysis, license and service optimization advice, and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. For more information, visit www.npifinancial.com.

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