Utelize®

Negotiating the right mobile network contract for your business

Utelize Mobile Best Practice Guide

Introduction

Mobile networks, devices and budgets have always been challenging for businesses to control and support. Mobile devices are with their users all the time, they support both business and personal life through applications and the internet; and commonly they sit outside of secure, "ring-fenced" corporate IT networks. To compound matters further, they're more prone to loss and damage than all other forms of IT hardware and they are easy to resell. Managing mobile IT is a complex business.

Unlike most IT expenditure, mobile costs are also highly sensitive to end user behaviour. Controlling that behaviour whilst also ensuring employees remain productive is both difficult to achieve and resource intensive. The way we use our mobile phones also varies dramatically from user to user, and with the advent of smartphones it's extremely difficult to draw clear boundaries between personal and business use. The arrival of 5G services in 2019/20 will only serve to increase this challenge, forcing businesses to work hard to find the right balance between user productivity and usage controls. Smartphones also bring more technical complexity, and with this, new security and rapidly increasing support challenges – none of which are going to disappear anytime soon.

At Utelize, we are seeing a convergence of four significant mobile challenges that are already having a growing impact on mid-market and enterprise businesses. Challenges that are set to dramatically increase mobile administration and costs for businesses that fail to implement a proactive and strategic approach to mobile network, device and security management:

Challenge 1: Increasing mobile device costs - that can no longer be subsidised by network "tech funds"

Challenge 2: Increasing mobile data consumption - driving greater management challenges and increased airtime costs with more frequent "bill shock" both domestically and abroad

Challenge 3: BYOD programs failing to deliver expected savings – driven by higher IT support costs coupled with lower BYOD adoption rates and device purchase savings than expected

Challenge 4: Increasing mobile security, data leakage, GDPR and compliance risks - leading to increased pressure to issue corporate devices, as well as increased security and support costs, especially in regulated markets and professional services firms

At Utelize our Managed Mobile Services are built on our tried and tested mobile management methodology that spans mobile network, device administration and mobile security. We openly share our methodology in our best practice guides, where we offer a detailed look at the causes and impact of these converging challenges on mobile IT administration and budgets. In our plain-speaking guides, you'll also find clear insights and practical approaches that your business can implement today to regain control and release significant budget that you can reinvest in mobile working and security.

In this guide we specifically look at the ways businesses can transform their management of mobile services and budget by negotiating the right mobile network contract.

We hope that you find this guide of interest and value with your own mobile strategy and management. Follow us on LinkedIn or Twitter or visit our website for more best practice guides and free resources on managing mobile services, security and devices.

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Negotiating the right mobile contract for your business

To effectively tackle mobile device and airtime spending, it's essential that your Finance and IT teams work together to discuss your real business requirements, challenges and options for the future. When looked at holistically, you'll be able to put into place more flexible and cost-effective mobile solutions that offer the **lowest overall total cost of ownership**.

In this Mobile Best Practice Guide, we review a range of planning activities and recommended negotiation objectives; all of which will help to deliver enhanced control over your mobile budget.

Your own mobile procurement strategy will largely depend on where you are in your mobile network contract cycle. If you are looking at renewing or even changing network in the next six months, then we recommend a focus on creating a new and more flexible approach to mobile management and procurement covering both airtime and devices.

If, however, you are only part way through your existing mobile network agreement with an unused tech fund, then your focus will, for now, be on optimising your airtime spend and assessing any future device purchasing requirements outside of your available "tech fund". Alternatively; if you have already used your "tech fund" but you're still tied in to your mobile network contract for a while or have unachieved commitments, then you should focus on reviewing your mobile device purchasing options as well as optimising airtime usage.

Planning your Requirements

Before we get into the detail of the contract negotiation objectives and review the available options, it's important to note that your mobile network has a vested interest in maintaining the status quo. As a result, it's not uncommon for the mobile networks to initially resist any proposed changes. They may also initially suggest that it's just not possible to achieve the things that you'll ask for, and they'll seek to bypass your negotiation teams and put pressure on senior decision makers.

This is a smoke screen – it is possible to achieve dramatic change and every objective outlined in this guide has been achieved before with significant success; however, ultimately that may mean you have to consider changing suppliers or at minimum ensure that your incumbent vendor knows you are prepared to change.

To achieve the best outcome, we recommend the following project planning in advance of commencing negotiations:

- **Start early** - Commence your planning and market appraisal at least 6 months prior to the end of your contract and allow at least 3 months for a smooth network migration to provide you with the best chance on securing the right terms. For larger estates with more than 1,000 connections, we would recommend allowing a further three months. If you allow the contract term to end before you have agreed a renewal contract or the 'heads of terms' with a new vendor, then the existing network has significant leverage and you'll feel under pressure to agree sub-optimal terms as the renewal date closes in.

- **Review "in building" mobile coverage** - Is there an existing solution that you installed or was provided to your business to enhance signal strength with your current network? Have you tested that other networks work at your locations without similar enhancements or will you need to plan for enhanced coverage? Are there any known signal/coverage issues to address that you are already aware of? Poor coverage can ruin the best commercial terms or create mayhem if not properly reviewed before changing network. Review your options early and create the flexibility to change if required and be aware that new solutions like Wi-Fi calling and cheaper signal boosters are starting to significantly reduce the need for mobile 'coverage schemes', however they also need testing.

- **Don't allow tech fund to build up unused** - "Use to or lose it" rules normally apply for mobile contracts, and most businesses are reluctant to walk away from unused tech funds. Accordingly; they feel pressurised into

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resigning with the existing network, often on sub optimal terms. If you think that you'll end up with a large unused tech fund, consider whether you could negotiate a conversion to use the fund against airtime, before you start negotiations. You may lose some of the face value of the fund, however you'll then be clear to start your market review and improve long-term costs.

As an alternative it is also possible to use third parties to convert your tech funds. In these agreements, your business will purchase agreed devices using you unused tech fund, and the third party will purchase these devices at a discount and convert the tech fund into cash. Whilst this is always going to result in a lower cash sum that the tech fund it is converted from, it removes the barriers to change, and opens up the path for substantial long-term cost savings. **Utelize has created a range of tech fund conversion options, so please get in touch if this is an area of interest.**

Consider Mobile Network Resellers and Managed Service Providers – Mobile networks have a wide range of channels to market, from their own direct sales teams, through to fully branded services like Sky Mobile and Tesco Mobile for consumers. Whilst historically, the networks have prevented Business Mobile Resellers and Managed Service Providers from competing in the corporate business market for mobile services, that is no longer the case and there are a wide range of business mobile suppliers (including Utelize) that can offer tailored or managed mobile services, based on their own contracts, billing and support wrap. These service providers can often offer enhanced support, and more flexible terms for customers with over 100 connections.

Try and align negotiations with major device refresh plans – Whilst aligning contracts with the real need to upgrade devices is a challenge, where possible it will reduce the resources required to upgrade users and change suppliers for airtime if you combine the exercise. This is especially true if your existing devices are locked to your current network. It will also make it much clearer to review the overall total cost of ownership (TCO).

Understand your usage profile and especially your mobile data consumption (UK and roaming) – If you don't have a very clear understanding of your current usage and costs, and you do not have the detail to compare the various proposals side by side then you'll likely struggle to make a clear and informed decision. The devil is in the detail and avoiding the detail or trying to create too simple a model will lead to significant unplanned spending later. What's more, you'll be highly unlikely to secure the best "right-fit" terms for your business and usage profile. There are no short cuts to evaluating the impact of different tariffs and proposals on your mobile budget, and so use a professional partner (like Utelize) if you can't easily complete your own analysis.

Estimate and model the likely impact of changing data consumption – Data consumption will change significantly over the next five years, and so by basing decisions on today's data usage, you may significantly underestimate your future costs. Mobile networks know this and often offer highly competitive headline terms to address today's usage knowing that they will make significantly greater profits in the future as customers exceed their data plans and are forced to upgrade with no negotiation leverage.

However; don't go overboard, it's better to have the flexibility to quickly upgrade or downgrade data allowances than it is to have a vast unused data pool that you pay for each month.

Build in flexibility for known market and business changes – Brexit is going to have some impact on every business, however it's just one of many challenges facing finance teams in all businesses. If in doubt, build in clear scenarios to model the type of flexibility you'll need to increase or decrease connections without penalty during the term of your agreement.

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Model the impact of BYOD - BYOD is going to have a wide impact on businesses. For some, it will materially decrease both demand for corporate devices and possibly connections. For others, the challenges of managing a large BYOD estate may lead to increased IT resource and security costs. Whatever your own position on BYOD, we recommend building in sufficient flexibility to address any material changes in the size of your mobile estate.

Setting clear objectives for your contract negotiations

With your planning complete, you'll have a much clearer understanding of business needs, the barriers that you'll need to overcome, and you'll possess a clear model of your current costs and usage. You're now ready to start reviewing options with your current supplier and the wider market. At Utelize, we use ten core objectives when helping our customers to create their mobile contract negotiation strategy:

Negotiation Objective #1 - Separate mobile network and device purchasing

Prior to smartphones, when mobile phones cost around £100 and the typical airtime bill was £300 or more per annum, few UK businesses saw the benefit in buying their devices outside of their mobile network contract. As the device component was such a small element of the overall mobile charges, it simply made sense to have one contract and fund the device over 24 months via the network. However, with smartphones now costing between £150 and £1,000, it's likely that your device costs could be at least as much as your airtime over a 24-month period, and so it makes little sense to try and hide these costs in the network charges.

Our recommendation is to either have separate agreements for each of the network services and device ordering, or at minimum create clear sections in your contract that do not tie the purchasing of devices to the mobile network via the use of a "tech fund". Where possible avoid tying your business to excessive minimum spend commitments, that provide little room for change vs. the current costs. Flexibility is the most important thing to keep in mind always.

For any mobile devices provided by your mobile provider, clarify whether devices will be provided "factory open"; meaning that Operating System (OS) updates and patches are provided by the manufacturer and not the network. And, whether the devices will be "locked" to the network; meaning they cannot be used with other networks until they are unlocked, normally at the end of the term and often with cost.

Negotiation Objective # 2 – Aim for SIM Only contracts and avoid "tech funds"

For many businesses with ad-hoc device purchasing requirements, there may be no commercial issues with buying devices from the network; however, it's important to ensure that you are:

a) Not obligated to buy devices
b) The terms of the airtime service are distinct from the device purchasing
c) Not committed to unreasonable minimum spend or minimum connection criteria

A SIM only contract, with the option to purchase devices, can be aligned to any reasonable term that aligns with your business needs from 30-day through to 12, 18 or 24-month contracts.

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Negotiation Objective # 3 - No minimum term per connection

With a SIM only agreement, there is no equipment to fund by the network and therefore no requirement to create term-based commitments at an individual connection level. The requirement for connections changes regularly as people leave or join the business, or roles and usage change. Having the flexibility to cancel individual agreements without penalty will allow you to keep your mobile estate and costs optimised on an ongoing basis.

For governance reasons it is also much cleaner to always only provide a connection to one specific user. When they join provide a new connection and when they leave cancel the connection and recycle the device where appropriate. Avoid letting business managers "pass on" devices, as you will quickly lose control of which users have the device and in many cases these devices end up outside of the business generating costs and creating security risks.

This model also suits BYOD where users provide their own device; but the business pays for the SIM card/network connection. With a "Corporate SIM" model, you can allow users to port their numbers into the corporate plan, so the business can achieve better tariffs whilst removing the administration of BYOD airtime expense claims. Users can then also port numbers out when they leave the business without penalty.

Negotiation Objective # 4 – One primary commitment per contract

Many mobile networks will seek to tie their customers into multiple overlapping commitments. The most common ones include:

- **Minimum Holding Commitments** - These set the minimum number of connections that the customer must maintain throughout the term of the agreement.

- **Minimum Spend Commitments** – These set the minimum spend levels that must be achieved during the term of the agreement.

- **Minimum Term Commitments** - Either applied at a connection and/or the contract level, these set the minimum term that connections must be held for.

By combining these various commitments, the mobile networks seek to leverage their negotiation position at renewal time, as often businesses fail to achieve one or more of the criteria or may have inadvertently created a "ragged edge" contract.

Ragged edge contracts are created when new connections are added during the term of the agreement; and the new connections each have a minimum term commitment that extends past the original end date of the agreement. This position forces the customer to either pay early termination penalties; or in some instances the network may agree to an average "co-terminus" arrangement. With an average co-terminus agreement, the remaining "in contract" period (normally expressed in remaining months) for the new in contract connections is averaged across all connections. The customer will then remain with the network for the agreed average number of additional months and at that point all connections can then terminate on the same agreed date.

Ideally your business would want to remove all commitments, however in practice most providers and networks will want some form of commitment to not offer their best pricing. As a result; we recommend that our customers target just one simple primary commitment, normally either a Minimum Holding for an agreed term or a Minimum Spend. Try to avoid Minimum Spend commitments that also have a minimum term for the agreement, unless you also negotiate very clear terms about pricing and flexibility once the Minimum Spend is achieved. For example, if the proposed term is 24 months and the Minimum Spend is achieved at month 18, clarify options to terminate without penalty or renegotiate enhanced terms once the commitment is achieved.

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Negotiation Objective #5 – Under-achievement penalties should be proportionate and relevant to the actual losses of the network

Contracts that contain revenue-based commitments can often have shortfall penalties that are applied at a level equal to the shortfall in revenue. The revenue associated with your mobile services is however not the same as the profit for the network. If you agree to revenue-based commitments with your network, ensure that the penalties for failure are proportionate to the network's actual loss.

By separating device and airtime the penalty should be materially less than the lost revenue – better reflecting the gross margin loss for the network.

Negotiation Objective #6 – Use shared data allowances or pooled data plans

Mobile data consumption is expected to increase significantly over the next five years, with Cisco predicting a seven-fold increase. As a result, domestic mobile data is likely to be one of the most significant and growing areas of mobile cost. It is therefore essential to ensure that you negotiate the right tariff and charging mechanism for mobile data and ensure that there is significant flexibility to adapt to future growth.

As a general guide, you will find that mobile data usage will vary from month to month and from user to user. For most businesses, we would therefore recommend the use of either a shared data pool or aggregated user data.

Shared data pools are where a large pool of data is paid for each month and can be shared across multiple users; for example, a 100GB pool of data. In shared data pools the data allowance is fixed regardless of the number of connections; however normally a charge is applied per connection to allow access to the pool.

Aggregated data is where each user receives a defined amount of data (e.g. 1GB or 2GB) however the data is aggregated use across all users. For example, 100 users would share 100GB in the 1GB model. In aggregated data pools the data allowance rises, and falls based on the number of connections.

This approach helps to smooth out the fluctuations in usage between users each month and is typically much more efficient and cost effective than providing users with their own data plans. It also avoids the need to continuously optimise tariffs at a user level. As a word of warning however, the out of bundle charges that apply when the allowances are exceeded can often be more expensive with shared data, and so exceeding shared allowances can be costly and must be monitored regularly.

There are however, several rules to consider and review before agreeing to any data plan:

Rule #1 – Look at peaks in data usage not the averages

When establishing the right data plan, you'll need to understand the actual usage each month and establish the peak monthly usage as well as any clear trends in usage. Many businesses fail to look at this level of detail and simply base their decisions on the monthly average usage over a specified period.

The networks then create a data pool based on that monthly average, which often is not significant enough to cover the peak usage. As a result, expensive out of bundle charges will apply when the data plan is exceeded. Understanding your trend on mobile data growth is also important, as this will provide a better insight into how quickly you'll need to expand the data plan in the future.

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Rule #2 – Factor in "roam like home" and other inclusive or "day rate/day pass" roaming

Many businesses fail to factor into account any roaming usage that draws down against the customer's UK data pool. As a result, they can significantly underestimate their real data usage requirements and so more easily breach their inclusive data allowances.

With the recent changes in EU roaming in July 2017, EU data now comes out of inclusive domestic allowances and additionally many users are now using greater levels of data when roaming, and so this can be an important factor in determining real usage levels. This new additional usage should also be factored into projections if you have yet to see the impact on your existing contract.

Rule #3 – Establish the exact policies and charging rules that will apply should you need to change the data plan during the agreement and clarify all "out of bundle" charges

Most customers fail to check how future tariff changes will be applied and this can be to their significant long-term detriment. Our key questions for your mobile network include:

- Can shared data plans only be increased during the term or can they also be decreased?

- Are there minimum commitment terms for new data plan changes?

- Can tariff changes be implemented mid-month or will they have to be applied from the start of the next billing cycle/month?

- What is the SLA for implementing tariff changes?

- Where data plans are changed mid-month is the allowance pro-rated for that period or will the full allowance apply for the month?

- Will the network notify the business where the data allowance is being used at greater levels than expected or at pre-agreed usage levels?

- What charges will apply where the data allowance is exceeded?

- How will excess data charge be applied – to all users once the pool is exceeded or against a specific account?

- What increments can data pools be increased or decreased by? Often as usage levels increase so do the usage increments, which can lead to very large unplanned increases in charges.

As mobile data usage increases, your business may want to consider enhanced controls and policies to manage this usage. If you don't have flexible terms, then you'll either end up overspending on data plans that no longer align you're your real business usage; or you'll overspend on excess "out of bundle" data usage where data plans are exceeded.

Furthermore; as mobile and fixed line communications continue to converge and general data usage increases, your business may want to force more mobile data usage over Wi-Fi connections, at which point you'll need to ensure you can flex down also.

Negotiation Objective #7 – **Know your roaming profile and understand proposed roaming tariffs**

As with UK data, the concept of having shared data and voice pools for roaming usage is a sensible one and can help to avoid "roaming bill shock"; however, the same rules apply on flexibility and with understanding "out of bundle" charges.

Some of the specific elements to review include:

- **Clarifying which countries are included in roaming day plans and to fully model how these align with your business usage profiles – each mobile network has different inclusive countries in their packages**

- **Ensure you know your usage profile both in terms of MB and Minute usage as well as the number of days spent in and outside of the EU (ideally by country and user)**

- **Clarify what charges apply for roaming in countries not included in the daily plans or the core plan**

- **For roaming bolt-ons - establish whether these will be retrospectively applied at the right level for actual usage or whether the business will need to apply them advance and remove them when they are no longer required**

- **Clarify what "in-month" alerting and reporting services the network provides to help identify excess usage and costs before the billing is produced**

Negotiation Objective #8 – **Fully understand tariff bolt-on rules for UK and roaming**

If tariff bolt-ons need to be applied in advance, then it is highly likely that your business will suffer from overspending. If bolt-ons need to be managed by the business, consider using shared voice and data pools as a first option because:

- **It's almost impossible to know in advance how much data or voice usage will be required – leading to either excess charges for the bolt-on or excess usage charges when bolt-ons are breached**

- **It's very time and resource intensive to add bolt-ons to react to roaming usage.**

- **Planning the addition of bolt-ons in advance requires a joined-up process for travel co-ordination**

- **Most bolt-ons cannot be applied retrospectively and so if a user is abroad any usage up to the point that the bolt-on is applied will be chargeable at standard rates**

- **Removing the bolt-on is necessary to avoid ongoing costs and is often forgotten**

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Negotiation Objective #9 – Take time to understand the proposed reporting, billing, alerting and support capabilities of your provider

Having the right mobile contract framework is the starting point for being able to continuously manage your mobile costs, however you'll still need to manage "in-contract" usage to deliver the benefits. Most providers only offer an "unmanaged" service – that means they'll provide you with a connection, bill you for your usage and rentals and provide a support desk for queries.

Ensure that you know exactly what services and proactive support your network will provide you with to help control costs, billing and usage, and don't assume that they will take any action unless it is written into their contract:

- **Does the provider offer daily "unbilled" usage records during the month or only at billing time?**

- **What alerting capabilities can be provided to manage in month usage?**

- **What barring options exist for voice and SMS calls?**

- **What barring and capping options exist for data usage both in the UK and when roaming?**

- **Does the provider monitor "in-month" usage and proactively address excess usage issues?**

- **Clarify whether billing will be calendar aligned?**

- **Does the provider offer cost centre billing and reporting?**

- **What options does the provider offer to re-allocate the costs of shared data pools?**

- **Can the provider create internal recharge reports at a "mark-up" for your shared IT services team?**

- **Does the provider offer mobile user statements and reporting?**

- **Does the provider offer a billing and reporting portal – what are the capabilities?**

- **What self-service options are available to the business?**

- **Does the provider offer a named support team?**

- **What are the support hours and what services are supported outside of these hours?**

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Negotiation Objective #10 – **Ensure tariffs are clear and contracts provide clear details of all charges**

Many mobile networks only provide headline prices in their tariffs and many charges are only available by request. Ensure that your contract contains full details of all tariff charges and billing rules:

- **Define minimum billing increments – e.g. per second or per minute**

- **Ensure that any "zones" used for billing roaming and international calls are clearly defined**

- **For Non-geographic calls, ensure the "access charge" is clearly stated, this is the amount that the network can legally add to the cost of calling services numbers (e.g. 118. 084 and 087)**

- **Clarify which countries are included in the roam like home allowances**

- **Clarify all out of bundle data charges**

Conclusion

Negotiating the right mobile network contract for your business is one of the most important factors that determines how successfully your IT and Finance teams can manage mobile services and devices in the future. Take a short-term view, without truly understanding your usage profiles or considering future changes, then it's likely that you'll "bake-in" overspending and inflexibility, without realising, until it's too late.

For those businesses that are prepared to accept that it's time to change the way they procure mobile services and have the commitment to walk away from the allure of mobile "tech funds", then there will be significant long-term benefits. You'll be able to proactively manage and control your mobile costs and budgets, source mobile devices effectively and have a wide choice of device finance models, however, when you need it most, you'll be able to flexibly adapt to the meet the challenges and changes that will come your way in the future.

For more information and guidance on the many ways that your business can reduce mobile costs and free up budget and IT resource for more strategic work, then download our range of Mobile Best Practice Guides, or get in touch to arrange a discovery meeting, and challenge Utelize to demonstrate how we can help.

Other Mobile Best Practice Guides from Utelize

- Five steps to effective management of mobile usage
- Breaking the mobile "tech fund" habit
- Rethinking mobile device purchasing and financing
- Implementing a "lifecycle" approach to managing mobile devices
- Planning BYOD programs beyond device security
- An introduction to Mobile Device Management (MDM) & security

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Utelize – Managed Mobile for Business

At Utelize we specialise in providing managed mobile services that enable our customers to gain total control of their mobile airtime, devices and security; helping them to:

- Streamline the administration of mobile airtime and devices
- Reduce mobile network and device charges
- Free up IT resources for more strategic projects
- Cost effectively finance mobile devices
- Secure mobile devices and data
- Manage in-life device repairs and end of life trade-in and device recycling
- Control mobile data usage and roaming charges
- Implement effective mobile usage policy management
- Evaluate which mobile telecoms technologies and services can best support their business needs

To arrange a no obligation meeting and mobile health check, get in touch …

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