The Four Pitfalls that lead to Mobile Telecoms Overspending

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Is your mobile provider working in your interests - or using every trick going to hide profit and overspending from you?

The unfortunate truth is that most telecoms providers are in commercial conflict with their customers' best interests.

Clearly, they can't tell you that; however, because the proactive management of telecoms always results in the removal of wastage and overspending - it naturally erodes supplier revenues and profits. Often from the areas where they make the most hidden profit.

Most organisations however; are largely unaware of just how far suppliers go to hide this excess margin; and how they work to obscure where customers are currently overspending. So how is it even possible for telecoms suppliers to generate as much as 30% excess hidden margin without their customers noticing? Well for that answer, it’s important to completely understand how businesses inadvertently overspend on mobile telecoms and how suppliers quietly maximise their margin over the term of a contract.

We break it down into what we call the “four mobile expense pitfalls” that every organisation needs to understand and address if they want to achieve consistent long-term success with mobile expense and usage management.

Pitfall 1: Inappropriate mobile tariffs and services that aren't aligned to usage and user profiles

Most organisations simply don't have a consistent and in-depth insight into how different employees and teams use their mobile services and devices. As a result, often the tariffs and contract terms negotiated, typically aren't as optimised to real business usage as they could be. What's more, all too often they simply aren't flexible enough to adapt to future business changes.

The reality is that different groups of users within an organisation, will have very different service and contract requirements from each other. This can lead to significant overspending, especially with business mobiles, where suppliers profit most on users that exceed allowances, those that travel internationally; or from charges that are not typically included in allowances. This averaging can often mean that large elements of the user base can be on inappropriate tariffs, and as a result, end up regularly overspending.

It's also not uncommon for usage profiles and the way employees use their devices to change significantly over the term of an agreement also. So, it's essential to continuously manage your communication services and negotiate a range of flexible commercial options to apply to user profiles, if you want to keep your supplier's margins and your costs under control. The use of pooled voice and data plans, can also help to smooth out the impact of different usage profiles in the estate; however again flexibility is required to adapt to future changes in aggregate usage.

Finally, whilst selecting a single network provider simplifies administration and contracts; businesses can be missing out of significant opportunities, even if they have a great deal for most users. For instance; most UK organisations only use one of the three main UK networks (BT EE, O2 and Vodafone) even for their frequent international travellers. In many cases however using a dual supply option for the highest most frequent roaming users, can reduce costs by as much as 80% internationally, with very little resource impact on the organisation.

Pitfall 2: Telecoms contracts, tariffs and billing are often complex to fully understand and manage

Many organisations either never completely read or fully understand the fine detail of their agreements, let alone visit the "online terms and conditions" that often are associated with contracts. Often also, the people that do read the contracts at negotiation time (i.e. procurement and legal) often have little role in the ongoing management of mobiles. As a result, it's common for the implication of certain clauses to be missed or for important information not to be effectively passed on to managers and IT.

Did you know for instance that nearly all of BT's contracts are subject to their online terms and conditions? BT can change those terms, simply by posting a change with 30 days' notice (and sometimes less). And it's your responsibility to monitor for changes that might impact your business; so, if you ever signed a BT agreement, then it's likely you agreed to that also!

For most businesses, even if they study the fine detail, the complexity of telecoms billing and tariff rules mean that few can easily validate that their bills are accurate each month, or model the real impact of new commercial models and tariff changes. This means that most firms incur hidden costs and when bills are wrong, the errors are often never spotted. And that's pure profit for your suppliers.

But we're just scratching the surface of how billing is used to increase supplier profits under the radar. From rounding up durations, billing roaming data in 5Mb increments and applying high minimum call charges. One of the networks favourite schemes is to charge vast mark-ups on default tariffs for one off and recurring charges that you forgot to specify in the pricing schedule! You'd literally need a full time mobile expense management analyst just to work out all the ways your suppliers are hiding margin from you.

Pitfall 3: Wastage and Misuse

Unfortunately for many organisations, their employees are often doing a good job at inadvertently helping their suppliers to maximise profits. Most organisations simply aren't even 100% sure of who's using their mobile services and devices let alone what they're using them for. This often results in hidden overspend on usage that can go uncontrolled and unnoticed for months or even years, not to mention the security risks.

To compound this issue, in most organisations it's not uncommon to find that the management of mobile services can be a disjointed affair across IT, Finance, HR and Procurement. Unfortunately, without a co-ordinated approach to mobile management, it's common for finance departments to automatically approve payment for services and devices that the business simply doesn't need or use any longer.

Why? Well put simply, most businesses don't maintain an accurate inventory of their mobile services, users and devices. And most don't have the resource, skills or tools to validate users, and check that charges are accurate.

For Finance, reconciling telecoms billing and allocating charges to cost centres alone, often means there is little, or no resource or time left to complete further checks. Let alone analyse itemised call and service records to check that usage is controlled at a user level. For suppliers; customers that don't have expense management processes to manage inventory and validate their bills can often be one of the most profitable types of revenue stream.

Imagine making 40% margin on a product that a customer never uses. No support costs, no maintenance call outs, just pure monthly profit!

The problem however is not just restricted to finance and IT. Most organisations don't have a joined-up process for HR to alert IT about leavers. This prevents services from being removed and often businesses fail to recover devices when employees leave the organisation. Creating both major data security risks and costs.

Finally, an even smaller percentage of organisations have implemented processes that align the booking of international travel tickets with the process for adding international roaming tariffs and controls for business users on their mobiles. So, it's not surprising that many organisations continuously rate roaming mobile charges as one of their key areas of uncontrolled spending.

Pitfall 4: Not Understanding the Wholesale Telecoms Market

Most organisations go to market or renegotiate their telecoms contracts every two or three years; however, did you know that in the wholesale market, prices change on a continuous basis and normally they go down?

Let's paint the picture more clearly. Most businesses (or sometimes their telecoms consultants) temporarily achieve a good (or maybe great or average) market price every couple of years, typically implemented a month or two after they complete their negotiations. This assumes the new terms are actually implemented accurately on the billing, which can be tricky to validate. Then; no soon as the deal is done, the reality is that their supplier quickly sees their margins start to increase as the supplier's wholesale cost continues to fall, and the customer stays on the newly agreed terms.

And so, by the end of the contract, suppliers can be making vast margins again, at which time they're ready to offer "new savings" in return for a new agreement. So ask yourself, when you last negotiated your telecoms contracts and achieved that big reduction, where did it come from? Did the market just change? Of course not, your supplier has just pocketed the difference as excess profit over the last couple of years.

Those businesses that allow their mobile contracts to roll over, or move onto 30-day notice periods at the end of their initial terms are in even bigger trouble. These customers are pure gold for mobile providers as they only increase in profitability going forward, as all of the initial sales costs, subsidies, tech funds and commissions are typically written off over the initial term.

Whilst we're on the subject of contract terms, did you know that many telecoms services don't even have a minimum term in the wholesale market, so imagine how much margin suppliers make on charging you early termination fees on disconnected mobiles?

Across the board, the way telecoms networks and service providers buy wholesale services has an enormous impact on the way organisations can procure and manage services. So, unless you're investing time to understand the impact of wholesale and regulatory changes in the market, then you're likely to be overspending too.

Summary

Mobile expenses are under constant pressure; however by addressing just one of these areas you'll make a considerable impact on your telecoms budget. Address all 4 and you'll be well on your way to releasing 20% or more of your budget.

Of course, there are many more challenges that organisations face when managing telecoms than just these cost and procurement based areas. Device security, migrating from Blackberry, increasing data and roaming usage and costs, smartphone lifecycle management (staging through to recycling), Unified Comms strategy and BYOD strategy to name but a few. And with these come plenty more ways that suppliers can hide excess profit from organisations like yours; and we can discuss those if you invite us in.

Want to learn more about transforming your mobile budget and technology investments? Then invite us in for a no obligation review and Healthcheck.

Utelize – Managed Mobile for Business

At Utelize we specialise in providing managed mobile services that enable our customers to gain 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 as well as end of life trade-in and device recycling
- Control mobile data usage and roaming charges
- Evaluate which mobile telecoms technologies and services can best support their business needs

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

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