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TELECOM EXPENSE MANAGEMENT

Call Forwarding to Outside Operators

Challenged with managing voice, data and wireless services, BancorpSouth handed telecom billing and procurement to an outsider. That's when the bank finally gained control.

BY GLEN FEST

If BancorpSouth were to print out its monthly call center phone bill, the Tupelo, MS-based bank's charges could fill 36,000 pages.

As infeasible as collating a paper version of the charges would be, what really invokes fainting spells for the bank's telecom services employees—both of them—would be having to manually track down all the possible billing errors. Never mind that until last year, they were also weighted down with selecting and servicing phone, wireless and data needs for thousands of bank employees.

BancorpSouth's staffers would employ random checks to ensure credits for disconnected lines, but they lacked the audit automation tools for thoroughly vetting for rates and fees on thousands of invoices flowing in from 260 BancorpSouth branch and office locations.

So how did BancorpSouth ensure that, from month-to-month, it wasn't being bilked or overcharged for discontinued services or erroneous rates? "What most people do," says bank svp Michael Lindsey. "If the bill was within a few thousand or few hundred dollars of the previous month, it was probably all right."

The bank managed to recover some funds from those occasional haystack needle hunts, and from periodic forensic audits through consultancies. But BancorpSouth could never build ongoing oversight, or introduce new procedures for telecom services and expenses build-



Jonathan Kirn

ing up from the bank's addition of new markets and employees during its five-year (and ongoing) acquisition spree.

Last year, BancorpSouth decided to tackle the problem by outsourcing telecom expense management. It tapped an ASP-based solution from vendor BroadSource in Atlanta, to bring billing, inventory and order processing into a central warehouse integrated into the bank's

network and IT platforms.

Third-party telecom expense management (TEM) is a blossoming alternative for financial services, as bankers prepare for spiking telecom costs arriving in the near term. Expenses are rising because call centers are beginning to serve as the hub of self-service initiatives at institutions. Wireless services continue to expand in use and cost, usually under weak organizational

Shifting Gears

support and supervision.

A September 2005 report on telecom outsourcing from Gartner Inc. notes the average \$75 per-user cell phone rate for corporations is doubling to more than \$150 a month when those users adopt emerging data services like wireless e-mail and Internet access through PDAs, Blackberrys and next-generation mobile phones.

"CFOs understand it's a large expense, and they say it's a top-five expense for [them]," says Vincent Brennan, CEO of BroadSource. "But most banks will readily admit and acknowledge that telecom expense is complex, it's dynamic, and it's changing all the time. And they don't have their arms around it."

Telecom expenses currently eat up 3.6 percent of revenues for most businesses, and that figure is likely higher in industries like financial services, which rely heavily on the technology, according to a new telecom expense management benchmark report from Aberdeen Research.

What's not keeping up with the expansion of technology and costs are the "uncontrolled and under-leveraged" expense procedures within companies. Legacy telecom billing systems from carriers are "notoriously rife with errors," reaching seven to 12 percent in monthly inaccuracy rates for large enterprises. A margin that wide, according to Aberdeen, means huge companies can find up to \$8 million in potential annual savings with a telecom expense management program.

Before hiring BroadSource, BancorpSouth depended on audits of telecom bills every three or four years to not only recover overpayments, but get a picture of regular telecom outlays and needs. That method is normally not very fruitful, says BroadSource's Brennan. As a standard industry practice,

the audits allow for some recovery of funds, "but the very next day [banks] would start having telecom expense creep again," says Brennan. "And no [audits] would ever touch the back-office operations and the lack of efficiency there."

Most bank CFOs don't appreciate the manual work telecom requires behind the scenes. "It's very difficult to track," Brennan says. "They don't have one place for all their telecom inventory, so there are lots of Post-it notes and manual processes, and it's virtually impossible for them to audit the bills because they barely keep up with them, much less make sure they're accurate."

Keeping on top of the expenses ac-

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tually turned out to be one of BancorpSouth's strengths. In the needs assessment prior to deployment, BroadSource's evaluation showed the institution's carriers had been generally on target with billing accuracy.

Normally, a run-through of past bills finds BroadSource's clients deserving a 20 to 25 percent return from past invoice snafus. "We were pleasantly surprised BroadSource gave us validation that we were not missing that much," says Lindsey. "The area where we had cost saving was associated with contract negotiations."

Sitting at the table in its client's talks with BellSouth, BroadSource pointed to areas where BancorpSouth could press for lower rates. In its five years in business, BroadSource has built a benchmark of rates based on the contract results it's achieved in various regions for particular services. It has also sharpened strategies into focusing only on high-need telecom ar-

eas to get the maximum savings.

If in-bound 800-number usage is increasing 20 percent a year, BroadSource will direct a client's negotiations toward emphasizing call center costs, rather than, for example, taking a hard line on cheaper rates for seldom-used branch telecom services. "We can see what's going on in the market because we have all these other banks we're negotiating for," says Brennan, whose firm has garnered about 15 financial services clients over the past two years, including CompuCredit, Union Bankshares of Bowling Green, VA, and Flag Bank of Atlanta.

According to Lindsey, BancorpSouth "saved over 10 percent in the renegotiation of the contracts, and that was about \$600,000 annually. We always assumed that we were a good customer and we were getting the best pricing [from BellSouth]...but this was the first opportunity for us to have outside market data telling us what a good benchmark for each line of business, each product was."

BancorpSouth would not disclose its overall savings from the TEM program, which also introduced centralized management of the firm's 400 cell-phone accounts, Web-enabled bill views for employees and managers, and consolidated electronic statements major carriers and the coterie of several "mom-and-pop" telephone systems across BancorpSouth's six-state market, according to Lindsey.

In most cases, telecom expense management can produce a quick return. For at least one unnamed Wall Street investment firm cited by Aberdeen, a telecom expense management program brought in \$20 million in savings in the first year, from improved bill-tracking, inventory maintenance, telecom vendor management and contract negotiations. That savings didn't include the subsequent savings in price and service evaluations in new contract negotiations.

Getting rid of telecom silos can usually be the strongest element of a TEM initiative, since billing errors or duplications may exist because of disparate methods of for rate compliance, dispute reconciliation, rebates and overpay recovery.

In a look at the centralization of telecom services at hospital management giant HCA, Aberdeen discovered a pilot program launched in 2001 allowing users to examine corporate invoices and found \$1 million in billing errors. After four years, HCA had reduced telecom expenses by 21 percent, with costs reduction coming today mostly from cost avoidance.

Brennan says ROI with telecom expense management can be between 200 and 600 percent for institutions, with some small banks seeing an “eight-tenfold” return.

“The wireless is the fastest return,

and the easiest place, quite frankly, where we can increase operational efficiency immediately and save significant money almost within months,” says Brennan. “The volume of voice and data taking place through mobile devices is just skyrocketing.”

Another major benefit of TEM is gaining the visibility and spread of networks for an eventual migration to VoIP or MPLS networks. “You can’t start the process until you have complete visibility and control of everything you’re doing today,” says Brennan.

The telecom expense management allows BancorpSouth to put it in control of its retail and business banking product expansion efforts by giving it a dashboard viewpoint of the telecom enterprise, Lindsey says. One idea the bank is mulling: wireless inquiries through BlackBerry and bill-pay functionality over

cell and smartphones.

Under a telecom expense management program, the bank’s future e-banking expansion plans can proceed while still keeping internal telecom growth on track and under budget.

“We just started rolling out savings on cellular plans, shifting from individual plans to pool plans,” Lindsey says. “Our largest dollars were associated with the telecommunications landlines in branches. Since we’ve moved to the cellular side we’re already seeing significant decreases in our monthly expense for the corporation. In turn, those users will be seeing a smaller allocation of their responsibilities for the costs associated with that. “We’ll also have more active plan management in branches, and give branches better reporting capabilities on the use of devices,” according to Lindsey. ■



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