TELECOMMUNICATIONS MANAGEMENT

BEST PRACTICES SERIES

Mobile Phone Expense and Contract Management Practices©

ADVOCATE NETWORKS

3625 Cumberland Blvd., Suite 350
Atlanta, Georgia 30339
Main (770) 984-4650
Toll-Free (800) 675-9014
FAX (770) 984-4670
www.advocatenetworks.com

I. BACKGROUND

The use of mobile phone services has exploded in the United States in the last 10 years to an estimated 152 million subscribers[1]. While averages are difficult to estimate, various industry research groups estimate that the average user consumes 350 minutes per month and bills approximately $50.00 to $60.00 including usage, surcharges and taxes. Originally, only business users could justify the use of mobile phones, now personal use is common and indispensable. While once just a cellular phone, mobile phone devices are now boasting a range of new applications including email, text messaging, calendar, contacts, tasks lists, digital photography and audio, and games. The subscriber population is expected to continue to grow significantly as new applications evolve, types of device proliferate, and teenager and pre-teen markets are exploited by the service providers.

In many cases, business mobile phone growth has been organic -- spreading from employee to employee to enhance availability of co-workers, customers and suppliers, and to improve productivity by using previously unusable time to communicate. Little standardization has been applied to the use, control and contracting of business mobile phones. As such, many companies have been surprised to discover an unforeseen and rapid increase in mobile phone expenses. To address this growth and control costs, some companies have moved created policies, guidelines, standards, and procurement practices. The purpose of this white paper is to present several approaches to managing mobile phone contracts and expenses, and potentially ease the management effort and expense needed to effectively utilize mobile phones in your business.

II. COMPLEXITIES IN MOBILE PHONE MANAGEMENT

The area of mobile phone management differs from all other areas of telecommunications due to the personalized nature of mobile phone handsets, service plans, and coverage areas. Unlike other business communications services, mobile phones commonly serve a dual role – business and personal use. Many companies provide mobile phones for business use and allow employees to use the mobile phone for personal use – policies vary widely for employee cost liability for personal use. Mobile phone service plans depend on the user's call volume, call type (local, long distance), usage area (local home, roaming, nationwide, and international) and add on applications like voice-mail, text messaging, and push-to-talk 2-way radio features. Users commonly seek to find a mobile phone coverage area that includes the user's business footprint and home usage area to accommodate the "dual role" of the mobile phone. Furthermore, the wide range of mobile phone type and form factor, and the complexity and variety of service plans create further difficulty in deploying standards within most organizations. Nowhere in telecommunications do telecommunications managers need to consider so many personalized variables in managing a telecommunications service and asset.

Also unique among telecommunications service offering, mobile phone service agreements can be individual or corporate liable. In the case of an individual liable

[1] According to The Management Network Group, November 2003

mobile phone agreement, the employee as individual acquires a mobile phone handset and commits to some form of service plan that may include a term and revenue commitment. In this case, the employee is liable for the handset cost, auditing the monthly bill, and the remittance of the monthly mobile phone service plan expense. The employee may or may not be reimbursed for business and personal use of the mobile phone services. In the case of a corporate liable mobile phone agreement, the corporation acquires mobile phones and service plans for use by employees. These agreements usually provide some volume discount for handsets and service plans, and include some form of term and revenue commitment. In this case, the corporation usually receives a master bill containing multiple business mobile phone accounts, and is responsible for the bill audit and remittance. The corporation may or may not require the employee to reimburse the company for personal use of the mobile phone services.

III. MOBILE PHONE MANAGEMENT COST COMPONENTS

For the corporation that elects to create a corporate liable, centrally bill mobile phone policy, the following areas must be considered in developing and funding the plan.

a. TELECOMMUNICATIONS MANAGEMENT STAFF

Some staff assignments will be required to manage the following areas. Typically, the telecommunications manager is assigned these duties. In large corporations, dedicated mobile phone management teams may be required.

b. HANDSET AND ACCESSORIES

Handsets range widely in size, weight, function, battery life and cost. The service provider provides some mobile phone handsets at no charge with a term contract as short as 12 months. Accessories range from batteries, battery chargers, earpieces for handset free operation and protective cases.

c. SERVICE PLAN

Service plans range widely in packaged minutes, unlimited two-way radio features, bundled long distance, call types, unlimited nights and weekend use, bundled applications (text messaging), roaming charges, and unused minute rollover features.

d. PROCUREMENT

If the mobile phone policy supports handsets and service plans provided by the business, the telecommunications manager must invest time in a procurement process. With mobile phones, a process must be created for service procurement and equipment (handset and accessories) procurement. The equipment procurement process tends to overlooked although it is more complicated than service procurement due to the enormous number of options.

e. BILL AUDIT AND REMITANCE

Depending on the mobile phone policy and the billing arrangement with the mobile phone service provider, the business must manage some type of bill audit and remittance process of individual mobile phone bills reimbursed through employee expense reports to analysis of a master mobile phone bill with all company approved mobile phone users. Regardless of which policy, the company is usually managing the audit and remittance of a higher number of mobile phone bills. As a general rule for any large organization (1000+ users), then a software audit tool should be considered.

f. USER SUPPORT AND TROUBLE MANAGEMENT

In some cases, the business may provide the first line of mobile phone user support and trouble management to ease the burden on the employee in addressing issues in these categories. In other cases, the employee is solely responsible although this situation creates higher maintenance costs. This decision should be carefully consider since it impacts overall service as well as the corporations ability to manage the users and cost.

g. CONTRACT MANAGEMENT

Depending on the mobile phone policy enacted by the business and the nature of the procurement process, a term contract may be executed that includes minimum usage and revenue commitments including minimum periods of use for each mobile phone account. Mobile phone service plans may also change during the term of the contract and require adjustment by user to best fit the users calling volume and patterns. In a corporate contract, the company should request that all activation and deactivation fees be waived. The contract should also provide for discounts or special pricing on all equipment necessary for the mobile phone service.

h. EQUIPMENT INVENTORY MANAGEMENT

If the corporation elects to sponsor a mobile phone program, the corporation may decide to maintain an inventory of spare mobile phone handsets. Also, the corporation will manage mobile phones from terminated employees, attempting to recycle the handset to another employee where possible. This equipment inventory management can be time-consuming – outsourcing this task should be considered.

IV. EXPENSE MANAGEMENT SCENARIOS FOR MOBILE PHONE OPERATIONS

a. CORPORATE LIABLE/CORPORATION DIRECT BILL AND PAY

In many corporations where mobile phones are required for various job functions, service agreements are entered with one or more mobile phone service providers. Under these service agreements, the corporation typically receives discounts on handsets and accessories (usually in the 10-20% range but in some cases higher depending on the service provider, volume and service plan), and employees are offered various service plans to fit their business needs. In this scenario, the corporation is required to determine which employees are authorized to receive mobile phone, provide some level of support to the employee (procuring handsets and accessories, resolving trouble), manage the contract commitments, audit the bill, remit payment, and maintain some level of handset and accessory inventory. In most cases, the corporation receives a master bill, audits the bill and provides the remittance. Commonly, the service providers require the corporation to provide some central help desk to management procurement, user administration (e.g., changing service plans) and the first line of trouble management. The service provider will support the account with a dedicated account team (the account team will vary from one to multiple individuals depending on the size of the account). In addition, depending on volume, the corporation may also receive discounts on service plans up to and greater than 20%. Some service agreements make the handset discount and service plans available to employee's family members with individual bills that are not the responsibility of the corporation.

Service providers have also introduced corporate "pooled" minutes plan that allow the corporate to purchase a block of minutes for use by authorized mobile phone users in the pool. This "pooling" may help optimize mobile phone expense and should be considered if usage is similar among the corporate users. Also, corporations should consider service providers offering two-way radio features in workgroups of employees in a limited geographical area and that depend on heavy internal communications. The two-way radio feature can help reduce the billable mobile phone minutes required to fulfill the employee responsibilities. Some corporations have found great difficulty in managing the "best fit" service plan for employees, and run-away mobile phone expense for the employee that abuses the mobile phone privilege.

This policy provides for the greatest ability to "manage" the mobile phone cost and usage within a corporation. However, to implement this policy, a corporation should carefully plan out all processes and support personnel and tools required to support the policy.

b. INDIVIDUAL LIABLE/PREDETERMINED REIMBURSEMENT LEVEL

Some corporations are turning to another form of mobile phone expense management to reduce overhead of the mobile phone management and reduce overall expense – individually liable mobile phone accounts and predetermined reimbursement levels for authorized employees. In this scenario, a corporation decides which employees are eligible to be reimbursed for mobile phone expenses, and determines set levels to reimburse employees for mobile phone usage. For example, the following predetermined levels may be set:

POSITION	MONTHLY PREDETERMINED ALLOWANCE LEVEL
Individual contributor	$40.00
Manager	$60.00
Director	$80.00
Vice President	$100.00
Senior Vice President and Officers	$120.00

Certainly, any reimbursement level can be set depending on the specific job functions, travel requirements, employee required availability periods (nights and/or weekends), and other factors.

In this scenario, the employee is free to choose the service provider, handset, coverage area, service plan, optional applications and term that best meet his/her business and individual needs. For example, instead of being locked into service providers and service plans selected by the company (although with this policy the corporation may contract for overall discounts with certain service providers), the employee can select the mobile phone coverage area that fits their business and residential area. The employee may also choose a service plan in excess of the predetermined reimbursement level to allow for personal use in the bundled minutes monthly charge. Also, the employee is responsible for bill audit and remittance, and any service and support issues with the service provider. *The corporation is only responsible for authorizing employees for mobile phone reimbursement, and making the reimbursement each month through payroll.* In return for losing some of the volume purchase discounts of the corporate liable (although the corporation can obtain some discount for its employees) and centrally billed service agreements, the corporation enjoys the benefits of no mobile phone management overhead, and higher employee satisfaction as the employees are not bound by the rigid nature of the standards set in corporate mobile phone policies. Also, budgeting for mobile phone expense is straight forward (the sum of each authorized mobile phone user multiplied by the reimbursement level), and not subject to guessing how much usage will the employee population drive next month. While exceptions can be made, typically the employee only receives the predetermined reimbursement level, even in months where the business usage may exceed the allowance.

Also, some corporations are implementing hybrid models that provide individual liable, predetermined reimbursement levels by employee type, and unlimited, corporate liable plans for executives and officers.

c. HYBRID – CORPORATE CONTRACT WITH PREDETERMINED CAP ON SERVICE PLAN EXPENSE

In this scenario, the corporation procures a contract for mobile phone service with one or more service providers, and implements a fixed cap on each mobile phone account. The corporation is responsible for the contract, support and maintenance of the mobile phone operations and uses the expense cap to limit exposure to the peaks and valleys of mobile phone use. This policy is similar to the set reimbursement/allowance policy set forth above.

d. INDIVIDUAL LIABLE WITH EXPENSE REPORT REIMBURSEMENT

While not recommended, some corporations select this model. In fact, this is the practical in effect at most corporations simply due the fact the organization does not have a formal policy. The individual employee selects the handset and mobile phone service provider, and receives reimbursement for some or all of the mobile phone equipment and service plan expenses. This policy results in 1) a higher service cost (negotiating as individuals) and no standard for users allowed a mobile phone (any user who can get it approved), 2) lower service support (the individual is responsible and no corporate account team), and 3) higher operational cost (significant number of expense reports to process. The only benefit to this policy is that no management time or cost exists. In the end, this policy is the most expensive and should be avoided except in very small corporations.

Non-Managed / Set Reimbursement Policy	Corporate Liable / Managed Policy
Employees can select best service provider, handset and accessories, and service plan that meets the duel role of the mobile phone – for example, the employee can select the service plan that supports their business usage and the individual decisions the employee makes regarding personal usage of the same mobile phone. Corporation can negotiated some volume discounts just based on number of users on the designated service provider. Corporation may not be able to manage expenses and usage as closely; higher processing cost due to expense report processing.	Corporation sets service plan and equipment by employee and limit to business justified employees only; Corporation maximizes negotiating power and therefore discounts and terms with the service providers. Lower processing cost due to single or limited number of invoices. Corporation can tightly manage procurement and order management of mobile phones.
Corporation greatly reduces resources needed to manage and enforce mobile phone policy – for example, the employee is responsible for selecting and purchasing the mobile phone handset. Corporations do not have access to employee mobile phone bills and usage information. Corporation does not receive a dedicated account team for support and billing issues.	Corporation must invest in personnel, processes and tools to manage the policy. Corporation has greatest management control over mobile phone use and usage. The expense for corporate management may out weigh the benefits. Service provider provides a dedicated account team that should reduce overall support costs.
Corporation is not required to manage any contract terms or minimum revenue or usage commitments – the ultimate in flexibility. Employee may not be satisfied with the amount of reimbursement by the company. Employee may not get the same level of support.	Corporation maximizes negotiating power on pricing and terms. Corporation liable for all usage and usually must make contractual commitments to term and volume.
Corporation is not liable upon employee termination and stranded with mobile phone assets – when an employee leaves the company, the mobile phone is the employee responsibility. Mobile phone number is still active with the former employee where clients may continue to contact former employee.	Corporation must manage the service provisioning as well as equipment provisioning and return. Corporation is able to re-use returned equipment and not incur the cost twice—the phone may be assigned by employee title or function.
Corporate budgeting for mobile phone expense is simplified.	If closely managed, then budget process can be fairly accurate.

V. CONCLUSION

Business mobile phone expenses are increasing dramatically, and if unchecked, can significantly inflate telecommunications costs. A wide range of mobile phone policy options is available. Corporations should consider these issues and best practices when devising or updating their policy. The individual liable/predetermined reimbursement level mobile phone policy can be utilized to streamline internal telecommunications management, and reduce overall mobile phone expenses.

Advocate Networks is available to assist you to analyze your specific situation and consider best practices in mobile phone management to help achieve your business objectives.

Companies mentioned in this White Paper:

About Advocate Networks, LLC

Advocate Networks, LLC provides telecommunication management services for large and medium-sized companies. Advocate Networks has over 180 customers. Advocate Networks has expertise in network inventory assessment, benchmarks, data collection and needs analysis, RFP development, procurement management, implementation and systems integration across a range of voice, data, wireless, co-location and hosting services. Our experience includes network planning, procurement, implementation and operations in the United States, Europe, Asia, and Latin America. We differentiate our services through direct use of our technical, operations and executive business experience, flexibility and our personal commitment to quality. Most of our client projects result in less than a 3 month payback period. For more information, visit www.advocatenetworks.com or contact us at info@advocatenetworks.com.

About TeleRazor Technologies, LLC

TeleRazor Technologies, LLC provides management tools for the telecommunication manager. TeleRazor is a hosted telecommunication services and equipment inventory management solution. TeleRazor provides an expert-based telecommunication asset data model and hierarchy for capturing and navigating the full range of voice, data and wireless telecommunication services, and PBXs, routers, switches and other network elements essential to operating a network. TeleRazor also stores contracts, contacts for vendors and service providers, an activity ticket module, and a wide range of reporting capabilities. TeleRazor Technologies, LLC is a subsidiary of Advocate Networks, LLC. For more information, visit www.telerazor.com or contact us at info@telerazor.com.