



Advisory Report (Europe)

Mobilising the Enterprise: The Real Costs and Complexities

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■ Summary

Issue

The Aberdeen Group stated that it costs nearly 10 times more to manage wireless services and devices compared to wireline and recommends enterprises budget 10 times more for operational support. While most IT managers are reluctant to carry this message to the Board, there is a realisation that mobile costs are out of control. Telecom and IT Managers are struggling to understand, manage and control mobile expenses in their global organisation. Enterprise customers need operators to provide better terms for global services and access to detailed, timely and accurate mobile usage data. Also, within their own organisations, IT managers are looking to develop stronger corporate governance and regulatory compliance, and change end-user patterns.

This advisory is a synopsis of some of the themes discussed at the EVUA event, 'Mobilising the Enterprise,' held from June 27 to 29 in Budapest, Hungary. The EVUA is an end-user organisation of 70-plus MNC customers representing an ICT spend of EUR 3 billion.

■ Current Perspective

While carriers square off to target the lucrative MNC segment with so-called enterprise mobility services, the services, as they stand today, fall short of meeting customers' requirements. Enterprise customers are struggling to understand and manage their costs of mobile communication and some of their mobile suppliers are not in a great hurry at all to help. Customer contracts for mobile services are local, cost-structure differs by country, and the speed of change varies by region. There is also a growing need to devise stronger policy for mobile services and measures to ensure regulatory compliance. Enterprises must also work to influence employee behaviour. More employees are becoming remote workers, use a wider range of devices for voice and data services, and rack-up more roaming charges than ever before. This problem will become very expensive if CIOs do not gain the upper



Current Analysis

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hand in controlling costs. For providers, this could also spell bad news. Some enterprise customers will be constrained to invest in new innovative services (e.g., global mobility services, FMC, remote office solutions, etc.) until the spiralling costs are under control.

Theme #1: Identifying and Changing Employee Behaviour

It is any IT Manager's guess of how many employees may use the mobile phone for personal and business usage, but changing employee patterns was identified as a major challenge for bringing costs under control. Ezwim, an ASP that provides telecom management services to over 850,000 end-users, estimates that over 20% of calls are personal and notes the most expensive time-periods are between 17.00 and 19.00. Other Ezwim data shows that 10% of employees generate 27% of total mobile expenses. Some carriers which presented at the EVUA event presented a number of new reporting tools, which attempt to track personal usage assigned by metrics such as pre-specified numbers and time of day that the call is made in an effort to reduce employee bad habits. These developments are welcome, but do not yet offer the complete picture.

To combat these looming expenses, some enterprise companies are beginning to place limits on the number of employees that can have a corporate mobile phone, or are assigning individual budgets to individual employees, or both. Even with the mobile phone being used during business hours and for non-personal reasons, there are other disturbing patterns. Some EVUA end users estimate that as many as half of the calls (e.g., local and international) are made from the employee's desk and within reach of a fixed line extension. This data corroborates other studies. While there were a number of solutions discussed enabling customers to come to grips with these issues from a technological and organisation view, very little was mentioned by mobile operators on how enterprises could track reporting to individual customer projects for cost allocation, or set up internal cost centres.

Theme #2: Transparency, Simplified Management with Mobile Contracts

Another theme raised at the EVUA event was customers wanting pricing transparency in their mobile contracts. Customer contracts for mobile services are local, cost-structure differs significantly by carrier and the speed of change varies across regions. This was the view of one MNC, which had just completed negotiations for a global contract with several unexpected bumps on the road. This means that even when customers want to choose a single provider for managing a global contract, this primary supplier will have to set up agreements with national operators within each country (sometimes several operators are used). The data for each provider would then feed metrics, such as billing and other data back to the primary supplier individually for aggregation and dissemination to the end-customer. Since many of these providers have their own pricing schemes and business packages, it is difficult for the enterprise customer to interpret and make sense of the data. At the same time, since SLAs are also negotiated case by case, there is another layer of complexity in delivering a consistent and uniform SLA.

One surprise was that while some global mobile operators can drum up strong marketing messages on 'coverage' and have many countries on the world map colour-coded accordingly, it appears in reality they are no more capable of delivering a global service than a small, nimble operator with limited network assets. In the case of one customer, the global operator offered no additional discount due to regional volume, no simplification of price diversity and the customer only reported savings in two countries. It also emerged that

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while the larger provider had many named accounts as customer references, none of them actually turned out to be on a truly global contract. However, a much smaller European operator, which was recently organised to serve the MNC business segment and is more in a start-up phase, had a global customer with requirements in 54 countries. This customer presented with their supplier and was reasonably pleased with the service. It appears that companies that are larger in size will not always provide customers with the best terms. Sometimes the cost of going with the single global operator will be more than what one is paying to manage all contracts separately. While global operators might deliver in terms of price transparency, customers may actually pay more by going through one provider. Many customers have realised this and are taking a more piecemeal approach to global management by signing one umbrella contract with a large player and managing third-party contracts under the framework agreement separately.

Theme #3: Device Management, Corporate Governance and Regulatory Compliance

Another issue discussed at the EVUA event was the need for enterprise customers to create strong corporate-wide policy for managing mobile services. While telecom expenses are very much decentralised in the organisation, enterprise customers also do not have an accurate inventory of the devices that are being used by employees. Many do not have a formal policy for managing these devices when, for example, the employee leaves the company, or a device is broken or lost and needs to be replaced. Not to mention that there are serious corporate security issues to consider. In cases where employees are submitting manual expense reports locally, the CIO loses visibility as the number of devices increases for voice and data. As one supplier pointed out, the Travel and Entertainment (T&E) model of mobility reimbursements has inherently disallowed the enterprise from maintaining control over spending. Enterprises must be prepared to change. CIOs will also be under some pressure to bring expenses in line for regulatory considerations, such as Sarbanes-Oxley, which may require companies to log and track corporate calls.

| Challenges of Mobile Cost Control | | |
|---|--|--|
| Challenges with Mobile Operators | Internal Organisational Issues | Market Trends |
| <ul style="list-style-type: none"> • Prices vary by country • Lack of transparency in pricing across borders • No global contracts – contracts signed locally • Speed of regulatory change differs by country • Reporting tools, Global Account Management in early stages and differ a lot between operators • Lifecycle management of mobile services in infancy stage • Mobile operators work from a decentralised structure • Developing packages for the MNC account is still new concept • Fleet Management is at an early stage | <ul style="list-style-type: none"> • Employee bad habits – personal vs. business, mobile vs. fixed • Purchasing and managing mobile services (e.g., hardware and airtime) is decentralised • Mobile expenses are paid out locally based on expense claims • Lax policy on mobile phones and devices • Regulatory Compliance (e.g., SOX) not fully understood for mobile devices | <ul style="list-style-type: none"> • Fixed mobile substitution on the rise – end users' usage of mobile services for voice and data are increasing • More remote workers than ever before • More users travel and generate international roaming expenses • Number and range of mobile devices continues to grow • Fixed mobile convergence in an early infancy |

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Recommended Actions

Vendor Actions

- Mobile operators must continue to improve upon their business proposition for global managed services. They must work on offering simplified and transparent pricing schemes with far less variation across regions. Wireless providers should be aware that the MNC enterprise customer is becoming more active in managing mobile accounts and is finding new ways to deliver managed mobile services without being too dependent on one single supplier.
- Fixed and mobile operators should continue to develop reporting tools enabling customers to understand the true costs of mobile services, offering detailed information across the corporate environment. Enterprise customers should be able to get billing information down to individual departments and individual users. They should also work on ways to improve customers understanding user patterns (e.g., personal and business), and allocating mobile costs back to projects.
- Large global fixed network carriers should also begin to see these developments as an indication of demand for innovative FMC solutions leveraging both fixed and mobile networks for voice and data. This includes integration of the mobile voice into the VPN with forced on-net capabilities to lower roaming charges, availability of PBX features into the mobile devices, and more developments toward a complete Unified Communications platform (e.g., one number, fine me, follow me, etc.).
- Operators should also continue to highlight other key areas as part of the global offering for managed mobility services. This ranges from global account management, customer service (e.g., global help desks), and in-country support to ensure consistency in implementation. The demand for managed mobility on a global level is increasing and customers are keen to reduce the number of supplier contracts wherever possible.
- Operators should consider taking a professional services approach for managed mobile services offering customers full lifecycle management. This can range from planning and consulting in pre-build phases (e.g., sourcing, procurement), to mobile device management and replacement of devices through Help Desk support. Other areas to consider include support for applications, device security and backup as mobile applications become more prevalent in the enterprise space. This will be important for differentiating and offering more value to the enterprise.

User Actions

- As a means to gain control over mobile expense management, enterprise customers should begin to centralise as much as possible the procurement of mobile services and devices. They should push their mobile suppliers for transparent pricing, simpler contracts, volume discounts, better global reporting and consistent SLAs. This should be met with a stronger governance policy for mobile services with executive-level backing.
- Customers should also be aware that bigger is not necessarily better. There are some cases of customers not seeing significant discounts when dealing with a major global mobile operator and other examples of much smaller players winning large global contracts by negotiating through multiple suppliers. Customers looking for global mobile management should push their supplier for reference customers. While many can list off MNC accounts,

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not all can come up with a list of the 'global accounts.'

- As a means of gaining control over mobile expenses and management, enterprises should consider the support from neutral third-parties. Netherlands-based Ezwim, for example, specialises in offering detailed reporting down to the individual departments, cost-centres and users, supported by automated processes and implementation of corporate policy. Data feeds are also translated from both the enterprise PBX and mobile operator's CDR. It has over 50 blue chip accounts. There are other companies also to consider on the market. □