

TALKING TELEPHONE NUMBERS

Modern communication technology is nothing short of incredible. Its cost to business is pretty amazing, too.

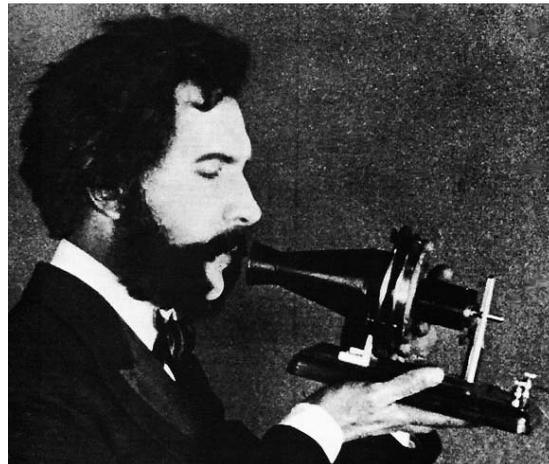
ALEXANDER GRAHAM BELL, the one awarded US Patent No. 174,465 in 1876 for the telephone, is looking down in awe. When he spoke his famous first words on his invention – “Mr Watson, come here. I want to see you” – his voice merely travelled to his assistant in the next room. Today, communications are being carried in cables under seas, through the ether, even via satellites in space. The breadth of devices – PDAs, mobile phones, handhelds, air phones, GPS-equipped cars – all babbling away would make Bell salivate.

But we are only at the beginning of a connectivity revolution. As SaaS (software as a service) and telemetry applications grow, as richer media and web 2.0 applications seek out new demand, our need for communications will explode. As will its cost.

In the western world, the family comms bill is now one of the biggest household outgoings. Connectivity (the land-line, mobiles, broadband, cable) and content (pay-per-view movies and sports, subscriptions, ring-tones and so on) now cost more than all other utilities put together.

And as an FD, you're paying a lot for it, too. Lulled by privatisation and deregulation, you might think your telecoms budget is reasonable, especially compared to software and services budgets. But globally, companies will spend more than \$1 trillion a year on local, long-distance, teleconferencing, mobile, broadband, wi-fi, systems integration and other services. It doesn't help that telecom taxes are some of the highest, across the world.

While it appears individual telephone call rates have been dropping nicely over the last few years, most companies lose those savings on the



“If only I could use it to send a video...”
Alexander Graham Bell probably had no idea of the breadth of telecoms services to come – or how dearly it would all cost.

“fringes”. Calling-card rates, especially to and from overseas, tend to be outrageous. Added features on phone lines (such as three-way calling) add significant charges each month. So does international roaming for mobiles, phone plans for remote staff and wi-fi hotspot fees for travelling employees. Unused phone lines (left dead when employees leave, for example) is another significant cost. [Ottakar's saved £70,000 closing unused lines, see page 32, Ed.]

The good news is that disruptive technology, competition, product packaging and audit services allow for more aggressive management of your telecom spend. Take VoIP (voice over internet protocol). Many small businesses have already switched to VoIP. Some large firms have used it to replace old-style leased lines. Vendors like Skype, Vonage and others are building sizable customer bases at very competitive prices.

Some of the new competition is coming from within the industry. Wireless competition is challenging traditional line-based services, with some corporations just assigning a

mobile number to each employee and bypassing landlines altogether.

Soon wireless cards in laptops may allow you to reduce fixed-line connectivity and hot spot charges for travelling employees. An extreme form of “competition” in telecoms? User companies can buy their own “dark fibre” – excess cable capacity built up over the last few years – and run their own private networks. Municipalities around the world are supporting local commerce by providing free wi-fi access with the help of non-telcos such as Google.

Telecom vendors are competing back. They're increasingly offering bundling – “triple play” (voice, video and internet) and quadruple (including wireless). It increases your vendor lock-in, but bundles and “all you can eat” tariffs could also save you money.

If negotiating with your vendor doesn't reduce your “fringe” service costs, try non-traditional avenues. Plenty of telecom resellers offer calling-card services cheaper than mainline vendors. If employees regularly travel to a particular country, buy them a local mobile phone with a

local plan to use within the country. Or in some cases, a local SIM card in their own phone will do the trick.

Finally, telecom audits: they've been around for a while, but now many have evolved into BPO services that take over the complete telecom review process as bills come in, rather than retroactively trying to recover overcharges. It can be a messy business – but typically it'll easily pay for itself. Of course, it would pay even more if you negotiate rates and service levels aggressively to begin with...

Which is easier said than done. The telecom industry, made up of state-run monopolies a decade ago, has got smart. In the US, AT&T and Verizon have been consolidating companies and further shrinking buyer power. They look likely to win the battle around “net neutrality” – which would allow telcos to charge content providers, as well as end users, for using their “pipes”.

This calls for customer vigilance – and you must be willing to swap providers. Bell himself would wink at that. He beat fellow inventor Elisha Gray with his telephone patent application by mere hours – and had to survive a legal challenge after that. Others credit Thomas Edison or the Italian-American Antonio Meucci as more deserving of the patent. But in today's world, you do not have to award the “prize” to just one telecom player – or award it forever.

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