

MANAGED SERVICES FOR CELLULAR COMMUNICATIONS: IMPACT ON BUSINESS

February 2010

White Paper

By adopting the Managed Services concept,
an organization will reduce their costs
and increase profitability.



CONTENTS

- 1 Introduction
- 2 Managed Services for Cellular Communications – defining the concept
- 3 Selecting a Managed Services Provider
- 4 WayComm's Proven Process and Tools
- 5 Conclusion

1 INTRODUCTION

This white paper collects our thoughts and approach to Managed Services as it applies to the management of cellular telecommunications for companies with corporate users. The information provided will be of great interest to a business owner, CIO, CFO, Controller, or IT Director responsible for the day-to-day management of corporate cell users as they consider strategies to control costs and improve service for the user community within their businesses.

2 MANAGED SERVICES FOR CELLULAR COMMUNICATIONS – Defining the Concept

Managed Services are services rendered by a third party under a contract. A relatively new concept in the telecom industry, the term Managed Services may be used differently by different players.

When a company subscribes to a Managed Service, a service provider manages the services for the client according to the terms of a service level agreement (SLA) established to meet the company's unique business needs.

For small and medium-sized businesses, Managed Services provide enterprise-class capabilities for a predictable monthly fee, enabling its staff to focus on strategic activities rather than user support, and pay only for those services that they need.

Business Drivers of Managed Services

Companies that have decided to employ Managed Services have mainly been driven by the following opportunities:

- Increasing financial pressure due to competition. Financial results can be improved by outsourcing functions to a service provider that can deliver higher efficiency at a lower cost than if the same services were delivered by internal IT staff, controller, or executive administrator.
- Reallocating efforts to revenue-generating activities, such as customer acquisition, go-to market strategies, improved delivery systems, or other internal IT projects.
- Controlling an expense that has been escalating an average of 30% per year for the past three years.

Following are the typical monthly time requirements to properly manage 450 corporate cell phone users utilizing carrier-provided web tools:

Invoice review:	3 hours
Help Desk:	25 hours
Orders to Provider:	20 hours
Monthly Average:	48 hours

In addition, to keep costs as low as possible the following additional analysis time is required every quarter:

Utilization Analysis	4 hours
Messaging Analysis	4 hours
Data Utilization	2 hours
Policy Compliance	2 hours
Plan Adjustments	3 hours
Quarterly Average	15 hours

Total annual hours: 636 hours

Following is a conservative illustration of what the typical annual costs are for a corporation utilizing an IT employee at an annual salary of \$50,000 per year, 25% of annual salary for employee benefits, and 25% workmen's comp insurance and payroll taxes.

Salary:	\$50,000.00
Employee Benefits:	12,500.00
WC Ins and Payroll Taxes:	12,500.00
Annual Corp Cost	\$75,000.00

Average hourly rate: \$36.00 per hour

Annual support cost: \$22,896.00 (636 X \$36.00/hr)

Typical corporate average per-unit cost for cellular service is \$137.50 per month. Average monthly cost for 450 units would be \$61,875.00. Annual costs are \$742,500.00.

Annual cell costs:	\$742,500.00
Annual support costs:	22,896.00
Total service costs:	\$765,396.00

Benefits of Managed Services

Outsourcing functions to a Managed Services provider provides the following benefits:

- Reduced support costs
- Improved service to corporate users
- Easier adoption of new business processes
- Increased levels of support and availability without additional staff
- More stable and predictable IT budget
- Access to an enhanced skills base
- Easier adaptation to changing business conditions
- Verified conformance to corporate policy
- Enables the IT group to focus on the core business

Additionally, overall cellular service costs may be reduced as much as 25% if service and billing optimization are offered by the Managed Services provider.

In the near future, there is a strong likelihood that the shift in responsibility for roles in the value chain enabled by Managed Services combined with the increasingly complex levels of technology will result in a win-win scenario for business owners, corporations, and Managed Services providers.

3 SELECTING A MANAGED SERVICES PROVIDER

Gaining the most business value from outsourced Managed Services requires selecting the right provider—and the right services—for your business needs.

Define Your Business Requirements

- To create a Managed Service that meets your unique business requirements, a service provider needs a clear understanding of your business and user requirements. You can either perform a preliminary requirements assessment internally or work with a consultant or a service provider that offers this service. The most accurate requirements assessments are developed by a cross-functional team that includes management, technical staff, and end-users.

Establish a Service Level Agreement (SLA) that matches your requirements and operations

- The SLA contract is intended to ensure that the Managed Service meets the specific needs of your business. Make sure that the SLAs include measurable, detailed criteria because a non-specific SLA is difficult to enforce.
- Establish SLAs that can evolve and adapt to accommodate the inevitable changes to your business and the Managed Services relationship, such as additional services, changes caused by business growth, and evolving corporate use policies. Each type of Managed Service requires different SLA metrics. In this case, it is important to establish hours of availability, service turnaround time, weekend availability, ease of request, and reporting of results.

4

WAYCOMM'S PROVEN PROCESS AND TOOLS

In this section we will discuss our Managed Services offering.

Our Managed Services are customized to meet individual corporate requirements. Listed below are the typical services we provide to our current clients:

Help Desk for the management of user needs:

Technical support

Addition of new users

Service changes

Equipment orders for new and replacement equipment

Application of correct billing plans for new users

Web-based support software:

Allows users to open requests

E-mails updates as services are performed

Provides management reports to both parties

Initial service and billing optimization

Monthly invoice review and audit

Resolution of billing errors

Monthly verification of compliance to corporate use policies

Quarterly in-depth analysis of usage and billing to maintain optimum configuration and identify units with no usage

Quarterly management reports

Written Service Level Agreement

The two main principles of our Managed Services offering is service improvement to the user and expense management. Our sophisticated analysis tools, help desk software, and structured process management ensure that user needs will be met efficiently and quickly. In addition, monthly service costs will initially be reduced, then managed through our invoice analysis and auditing software.

Following is an example of the estimated cost reductions a client might achieve over three years by deploying our Cellular Managed Services:

The example below uses the costs calculated in Section 2 and our one-time and monthly Managed Services costs for 450 cellular units.

Please note that this example only displays an initial cost reduction of 20%. Typically, ongoing optimization will produce additional average savings of 10% each year. Ongoing additional cost reductions have not been calculated into the savings example displayed below.

Current Costs:

Annual service costs:	\$742,500.00
Annual support costs:	22,896.00
Total service costs:	\$765,396.00

Managed Services Costs

Year 1

One-time charge:	\$ 13,500.00
12-month support cost @ \$5.00 per unit:	27,000.00
Annual optimized service costs:	594,000.00
Total year 1 costs:	\$ 634,500.00

Year 2

12-month support cost @ \$5.00 per unit:	\$ 27,000.00
Annual optimized service costs:	594,000.00
Total year 2 costs:	\$ 621,000.00

Year 3	
12-month support cost @ \$5.00 per unit:	\$ 27,000.00
Annual optimized service costs:	594,000.00
Total year 3 costs:	\$ 621,000.00
3-year current costs:	\$2,296,188.00
3-year costs with Managed Services:	1,863,000.00
Estimated Annual savings:	\$ 144,396.00
3-Year Estimated Savings:	\$ 433,188.00

It should be noted that the above illustration demonstrates a cost reduction but does not document actual “opportunity costs” such as employee reassignment to other duties, force reduction (if possible), or other intangible benefits such as improved resource availability for high priority projects.

Our internal metrics show that support requirements for WayComm Managed Services provides a high level of support when and where it is needed in an efficient and cost-effective way. The larger the scope of the agreement, such as number of users, the greater the potential is for WayComm to maximize efficiencies and reduce your costs.

5 CONCLUSION

The Managed Services market is in a phase of good growth and is one of the fastest growing segments of the telecom industry. Companies that have decided to utilize Managed Services have generally been driven by the following:

- They can improve their financial results by outsourcing functions to a Managed Services provider that can provide higher efficiencies at a lower cost.
- They can dedicate more of their efforts to revenue-generating or other cost reduction activities.

In the near future: therefore, there is a strong likelihood that there will be a shift in responsibility for roles in the value chain enabled by Managed Services, will result in a win/win scenario for both businesses that employ Managed Services and the Managed Services providers.