



## Apparel Retailer Reins in Telecom Costs Considerably

### Executive Summary

With hundreds, if not thousands, of geographically dispersed locations for selling their merchandise, retailers face significant challenges when trying to contain telecommunications costs. Such efforts are particularly frustrated by poor visibility and control over telecom service usage and charges.

Consider this case in point: A major global apparel retailer examined by Aberdeen Group must manage telecommunications services, assets, and infrastructure across 40,000 employees and 5,000 locations worldwide. To improve control of this spend, the retailer tapped Invoice Insight to aggregate, analyze, and provide insight into its telecom bills through an online platform.

Doing so has empowered the retailer to identify and manage mistakes and misuse more efficiently. The bottom line then is that the retailer is recouping an average of 4% of its monthly spend. By leveraging improved and detailed insight into its telecom usage, the retailer has also launched online negotiations with carriers, resulting in an average savings of 20% per sourcing event.

### Business Challenges

This \$4 billion retailer spends \$9 million on long distance and \$1.2 million on data services in the U.S. alone. Such spending generates tens of thousands of invoices per month. The company historically used an external invoice processor to keep up with the paperwork, but had little insight into details on spending.

About six years ago, the retailer realized that it needed to capture more categorical information and details on usage from its phone bills for auditing and rebate recovery purposes. The company wanted to use the information to improve internal accounting data and use the invoices for auditing and rebate requests. However, a paper- and manual-intensive review process was simply too cumbersome for the company to handle.

### Selection Process

The retailer considered scanning all of its invoices electronically, but decided that the process offered only marginal, if any, productivity improvements. More important, scanning would not provide the structured data required for useful tracking and analysis of telecom usage and

spending. Thinking granular, meaningful data collection could not be done, the director of telecommunications was pleasantly surprised when an outside company called and offered to provide services to aggregate its telecommunications invoices electronically and automate the contract and policy compliance reconciliation processes.

“It sounded too good to be true,” the retailer’s telecommunications director said. The solution provider was Invoice Insight, of Manassas, VA.

## Deployment and Results

The retailer began with a small pilot with Invoice Insight’s BillPort tool and found that it increased its ability to review invoices for errors and compliance much more quickly and effectively. Today, the retailer is recouping an average of \$31,000 per month in credits from its bill error and abuse analysis by leveraging the BillPort platform. (That figure marks an increase from about \$25,000 on average per month a year ago, which the director attributes to increased volume in his department.)

In the past, the company tried to manually review paper bills, photocopy questionable items, and mail hundreds of reports each month to store managers for approval or action. Each review took five to 10 minutes to complete. With BillPort these reports now “literally take seconds,” according to the retailer’s telecommunications director, and save the retailer on the paper and postage costs associated with generating those former reports.

Explaining the elements of the hard-dollar savings each month, the director noted that his telecom analysts flag line items, such as phone directory advertising charges, and require store managers to approve that services were ordered before payment. Notoriously, telecommunications firms frequently charge organizations for these types of additional telecommunications services without appropriate permissions, which can add up to significant and unnecessary annual costs, particularly at firms with thousands of locations.

The retailer has identified \$4,000 in savings each month by correcting improper telephone usage at stores by its retail associates. With BillPort, the retailer’s telecom analysts can access detailed usage information quickly. For example, what long-distance number was called at what time or how many times directory assistance was used. (The retailer’s policy is to allow employees only two directory assistance calls per month, and, even then, these inquiries must be made with the retailer’s preferred provider.) The telecom analyst can now send an e-mail to the store manager to determine who was on the shift and who made the calls in order to change behavior or even to request reimbursement from an employee.

## Lessons Learned

The director said that before the retailer was able to analyze its bills in a timely and accurate fashion, money was “going down the drain” in forfeited credits or reimbursement. He added that the first year his group used the Invoice Insight system, they were able to recoup \$50,000 to \$60,000 each month. The amount of unjustified or erroneous charges identified each month has declined, “as vendors have caught on to the fact” that the retailer was looking very closely at its bills.

## Future Outlook

Today, the retailer's telecommunications group has two full-time employees and three part-timers reviewing bill reports. Collectively, this group is able to process 10,000 bills per month, up from 3,000 bills per month six years ago. That is more than 300% productivity improvement since employing the Invoice Insight solution.

Since the Invoice Insight implementation, the retailer has redeployed some of its bill reviewers to more strategic tasks. For example, one previous reviewer is specializing in wireless technologies and market assessments, and one is provisioning telecom services. Overall, the director said that the outsourced strategy and solution have helped his group "to stay ahead of the game without adding any full-timers."

In addition, the retailer has enhanced its visibility and detail of its telecom usage and spending data. It also has more time to focus on driving additional cost efficiencies. The group's director has been able to develop his own detailed request for proposals (RFPs) for various telecommunications services.

Using online electronic sourcing tools from firms like Dallas-based Davaco Sourcing to automate the renegotiations of contracts, the director said that he has achieved an average of 20.2% in savings across five online sourcing events over the last six months. Such tools have also helped the retailer shave the negotiation cycle from approximately 12 weeks to eight weeks with the tools.

"Now it's more competitive, and I get a lot more done than before," the director said.

## Aberdeen Conclusions

As a widespread retail organization, this company is a prime target for telecommunications billing errors and service abuse. When the company seized the opportunity for improvement with electronic data collection and automated analysis tools, it was rewarded with real hard-dollar savings in credits right away. More important, however, the retailer has wisely leveraged this data to renegotiate and improve the pricing and service terms of its telecom contracts — a true example of an integrated total telecom cost management strategy in action.

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