

Invoice–centric vs. Inventory-centric ETM Solutions

Enterprise telecommunications management has evolved, just as telecommunications has. Most of today's ETM solutions are centered on the service invoice and the accuracy and analysis of that invoice. Telecommunications however, has evolved to become the key-enabling infrastructure of a new breed of network-centric organization. Those organizations require ETM solutions that are predicated on the accuracy and timeliness of the inventory of assets, services and users. This inventory drives network management, decision support and financial management applications. Because these solutions start with creating and maintaining an inventory, they are characterized as being inventory-centric.

The key differentiate points between inventory-centric and invoice-centric ETM solution:

Invoice-centric

- Financial management (invoice auditing) requires some inventory to validate against
- Invoice-centric systems do not incorporate a workflow process enforced inventory management
 - If the inventory management is not enforced, the accuracy of the inventory will degrade as MACDs occurs
 - As the inventory accuracy degrades, the quality of the financial analysis and expense management degrades
 - Because the inventory cannot be relied upon, it cannot be used to support other ETM applications and functions

Inventory-centric

- Inventory-centric solutions use enforced workflow process for inventory management
 - As MACDs occur, the accuracy of the inventory will improve
 - Because the inventory is real-time accurate, it can be used by other ETM applications and network management functions

What is Invoice-centric?

Today, ETM solutions tend to be focused on invoice-centric expense management and cost allocation. It is generally accepted and has been documented by numerous research organizations, that there are sufficient discrepancies in the billing process to warrant the need for invoice auditing. The business case is simple – auditing of invoices and bills for accuracy can reduce telecommunications expenses.

Many of these solutions are offered as out-source services. Customers send their invoice data to the solution providers who compare invoices and billing records against an inventory of assets and circuits, rate tables, and service agreements. Discrepancies are flagged. Some solutions include a recovery function, wherein the solution provider negotiates a settlement of the discrepancy with the service provider. In many cases, the fees that the solution provider receives are directly related to the amount recovered. However, regardless of the specifics of the services offered, the effectiveness of the invoice audit process is highly dependent on the accuracy of the inventory – the better and more accurate the inventory, the better and more accurate the audit.

Invoice-centric Solutions

Advantages	Issues
Easy entry for customers	No enforced workflow process for MACD - accuracy of inventory diminishes over time
Available as outsource service	Manual interface with carriers
Point-product that produces cost savings rapidly	Unreliable as optimization and analysis tool
Good for platform oriented organizations	

In a stable enterprise where there are few moves, adds, changes, and deletions, current generation of ETM solutions may be adequate. However, since the management of the inventory database that drives the audit/validation is not likely to be managed via an enforced order management and workflow process, in current generation solutions, the accuracy of that inventory is likely to diminish over time as the base of assets,

services, and users change. This becomes a more serious issue, impacting the effectiveness of the validation, as the organization adds, moves, deletes and changes telecommunications assets. Without an enforced workflow for order placement and tracking, and the electronic linking of that workflow to carriers, the inventory that the audit is predicated upon is likely to become less accurate over time.

What is Inventory centric?

Inventory-centric ETM solutions use an enforced workflow process to create and maintain a near real-time inventory of telecommunications assets, services and users. In turn this inventory drives a number of specific applications such as invoice auditing, order management, etc.

An inventory of assets, services, and users will be at the center of this generation of telecommunications solutions. Inventory-centric telecommunications management solutions are ideal for organizations that require timely and accurate inventory to support a telecommunications functions is a critical component of the enterprise. All functions of telecommunications management can be dramatically enhanced if they are based on a controlled, structured inventory of assets, services, and users. Without an accurate inventory, even invoice auditing for the simplest enterprise will become less effective over time, as the inventory of assets and services become less accurate.

Inventory-centric solutions recognize that effective service order management applications will be electronically linked to carriers and suppliers. Linking electronically to suppliers and carriers and as a component of the order management process is a key step toward creating an order management process that ensures an accurate, zero-latency inventory of assets and services.

Inventory-centric Solutions

Advantages	Issues
Controlled and managed inventory ensure high accuracy of applications	More complex implementation – software + inventory
Self-improving - Inventory accuracy improves as MACDs occur	Requires higher level of organizational commitment
Controlled inventory can be used to drive other ETM applications and functions such as network optimization and management.	Skewed toward being an IT/network infrastructure that support financial application, rather than simple financial application

Electronic interface to carriers	
Ideal for network-centric organizations	

Impact of Being Inventory-Centric

The accompanying chart shows the impact of inventory churn on invoice-centric solutions and how the accuracy of the inventory improves when using an inventory-centric solution.

