

MarketScope: Telecom Expense Management, 2005

Telecom acquisition, provisioning and management is a challenge for IT and business units. The transition of telecom expense management to a growing field of capable providers will benefit all size businesses.

Core Topic

IT Services and Outsourcing: Network and Internet Services

Key Issues

What are the opportunities, trends and forecasts for the network managed service provider market?

How will business and service delivery models evolve for the network IT service market?

Strategic Planning Assumptions

Through 2006, more than 60 percent of businesses purchasing telecommunications expense management solutions will do so from small, focused telecom expense management vendors (0.7 probability).

By 2008, systems integrators, IT and business process outsourcers will control most of the revenue associated with managed and telecommunication-centric business process outsourcing contracts (0.9 probability).

Market Description: Telecommunications expense management (TEM) encompasses the sourcing of some, or all, of the business processes conducted by the IT or telecom department to a third-party provider. This includes services to acquire, provision and support corporate telecommunications assets. This MarketScope rates software vendors and IT services providers that offer a Web-based application platform, which ties into the HR, general ledger and accounts payable systems and manages the input of end-user call data into that system. Using the Web-based application platform facilitates the proper management and payment of carrier invoices. These providers may also offer business process outsourcing (BPO) services that encompass the entire telecommunications life cycle, which include the following:

- Ordering and provisioning
- Invoice and bill management
- Payment
- Asset management
- Contract and rate negotiation and management
- Dispute resolution and management

The assets managed include local and long-distance services, mobile circuits and transportation for all corporate facilities, offices and remote workers to facilitate communications between organization employees, customers and partners. This may also include cellular and desktop phones, as well as calling cards.

For the purposes of clarifying the breadth of this MarketScope, TEM solutions do not include telecommunications infrastructure, such as PBXs and key systems, Internet Protocol telephony

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equipment, and other voice communications infrastructure. These elements are covered within a typical network IT sourcing engagement.

Rating for Overall Market: Our outlook for the TEM market is "promising," because consolidation is occurring at a more frequent pace than in the past, and systems integrators and outsourcers will be the primary force for acquisition. Gartner tracks more than 100 TEM providers in North America. In 2004, the North American TEM market will generate just under \$500 million in revenue (software and IT services) and will grow at a 26 percent compound annual growth rate to \$1.2 billion in 2008.

Evaluation Criteria

- Invoice management
- Allocation/chargeback
- Order and provisioning management
- Customer service and support
- Price and pricing methodology
- Financial viability
- Scope of offering (wireline voice and data, mobile)

Potential customers of TEM solutions must be careful to fully understand the rating scale presented in this MarketScope. Although some companies are given lower ratings than others, by no means should the rating disqualify that company from consideration. End users are encouraged to use this group of providers as the core of any request for information or request for proposal (RFP) initiative. The vendors identified were chosen from a base of 100 companies servicing North America.

We based our ratings on discussions with the vendors, vendor clients and companies that have engaged the listed vendors in the sales cycle to provide insight into the sales practices.

Company revenue was a metric to measure success, but it was not the singular guiding metric for rating TEM vendors. Gartner has concern over recent practices of "buying business" to secure customer base. This is a sign of hypercompetition in an underserved market. The adoption rates of TEM solutions are very low; however, the preponderance of vendors has led to unprofitable pricing practices for many TEM vendors in a market that should command premiums for an emerging solution with very high rates of return on investment (ROI).

Figure 1 shows the results of Gartner's TEM vendors MarketScope.

Figure 1
MarketScope: TEM Vendors, 2005

	Strong Negative	Caution	Promising	Positive	Strong Positive
Asentinel			Yellow		
Avotus			Yellow		
BBR Wireless Management			Yellow		
Control Point Solutions				Green	
Invoice Insight				Green	
mindWireless			Yellow		
Mobil Sense		Red			
Vercuity				Green	
ProfitLine			Yellow		
Rivermine				Green	
Symphony Services		Red			
Tangoe			Yellow		
Traq Wireless				Green	

Source: Gartner Research (November 2004)

Asentinel, a small TEM provider based in Memphis, Tennessee. Company size is Asentinel's "Achilles' heel" because many larger organizations may not feel comfortable dealing with such a small company. Despite its size, CEO David Perdue has cemented highly visible and strategic accounts. Customer satisfaction and pride of workmanship is the key differentiator for Asentinel. The company sells licenses to direct customers as well as managed and consulting services. Asentinel is also working to create a network of partners that provide managed and consulting services based on their software platform.

Asentinel's strongest attributes are strong customer satisfaction and a sense of the strategic nature of a fully automated spending management platform — especially through the integration of electronic data interchange and value-added networks. Third-party funding would go a long way to ensure customers of Asentinel's long-term viability. *Rating: Promising*

Avotus' presence in the market was securely placed in call accounting and management until 12 February 2004, when the company completed the acquisition of Formity Systems for its expense management platform. The acquisition should work well for Avotus because it maintains more than 3,200 customers for potential upsell, based on its capabilities in call accounting.

Avotus' most recent acquisition was inspired and insightful. Avotus acquired Applied Research Technologies for its e-procurement capabilities. This acquisition gives Avotus one of the most complete TEM-focused offerings in the industry.

Avotus is able to provide services that range from telecom reverse auctions to BPO. *Rating: Promising*

BBR Wireless Management is an emerging full-service provider wireless TEM service provider. BBR has about 20 employees and is among the top five providers for lines under management. The company's focus is on customization of enterprise wireless services including procurement, auditing and RFP, and policy development.

The development of its ratings engine is outsourced, so any changes or customization to the interface may not be as timely or as robust as competitors that are maintaining and performing development with in-house programmers. BBR offers a 200 percent ROI for its services. *Rating: Promising*

Control Point Solutions (CPS), of Fairfax, Virginia, represents the combined capabilities of Broadmargin and Teldata Control. These two companies were two of the largest and strongest players in the TEM market. Broadmargin quickly developed a strong brand in the TEM space, despite being a fairly recent entrant to enterprise managed services market. Broadmargin generated most of its revenue by providing advisory services to network service providers. Teldata was an enterprise-focused organization that amassed a sizable client base with its managed application business.

CPS is a services-only company and sells managed and consulting services directly customers or through strategic partners. CPS could also create a network of partners that provide managed services based on their software platform. CPS's strength lies in its diverse business model that provides services to organizations and service providers. *Rating: Positive*

Invoice Insight, of Manassas, Virginia, has made strong advances in direct sales to end users as well as appealing to new alliances for alternate channels to market. Most appealing about Invoice Insight is service delivery cost structure, which can reach down-market to organizations with spending levels below \$400,000. This appeals to partners, such as systems integrators and outsourcers or value-added resellers, that wish to serve small and midsize businesses (SMBs). Invoice Insight has a very flexible business model that includes direct and indirect sales of managed and consulting services, as well as software license sales.

Despite being able to serve downstream SMB clients, the feature sets and graphical user interface of Invoice Insight is competitive or superior to many providers in the market. *Rating: Positive*

mindWireless, founded in Houston, Texas, has a consulting and cellular service provider background. The company's original pricing model was based purely on contingency fees from enterprise savings with little or no upfront fees. This aggressive stance has brought the company a few decent-size clients and it now supports more than 50 clients. Contingency fees will rapidly lose favor in the market as the predominant pricing model is based in percentage of telecom spending. In the past year, mindWireless has introduced additional fixed and line-based pricing models, which are preferred by some of their larger clients.

Although mindWireless' management and reporting tools may not be as detailed as competitors, its rating is based on its personalized customer service. *Rating: Promising*

MobilSense, of Westlake Village, California, remains the smallest of the wireless-oriented vendors. Its focus has been more on service management, including policy development and policing, than rate plan optimization. Founded in 2000, the company is on its fourth-generation software and has had marginal success in the market — it is relatively unknown.

Although strong on policy management, its suite of services does not go into procurement and does not offer more of the full services provided by other wireless TEM vendors. *Rating: Caution*

Vercuity, headquartered in Denver, Colorado, and formerly named MSS*Group, has been a strong force in the market during the past six months. Under the new ownership of One Equity Partners, a division of Bank One, Vercuity has acquired the product and services businesses of TSL, Digital Reliance and QuantumShift. Although concerns remain about Vercuity's ability to remain focused while integrating these new acquisitions, the strength of its installed base cannot be ignored. Recently, Vercuity purchased the telecom consultancy Telwares. Telwares is an extremely well-respected organization that is capable of high-level executive conversations.

Vercuity is a services-only company and sells managed and consulting services directly to customers or through strategic partners. *Rating: Positive*

ProfitLine, of San Diego, California, does the best job of communicating key metrics on operations and value delivered to its customers. ProfitLine has created a successful market presence by speaking a language that educates its customer and creates confidence in prospective buyers. ProfitLine is a services-only company and sells managed and consulting services directly to customers or through strategic partners.

ProfitLine needs to create a network of partners that provide managed services based on its software platform. *Rating: Promising*

Rivermine, of Fairfax, Virginia, has been the hardest-working vendor in the TEM market. Rivermine is foremost a software vendor that sells licenses. However, recent portfolio additions include a managed services offering. Rivermine has done a great job of going across North America to teach organizations about telecom expense, telecom asset and network management. This holistic view of network and telecom may prove costly or onerous to many companies, but Rivermine's model represents the best practice around the network.

Rivermine will take the leadership position in the TEM markets in terms of brand equity among organizations with the largest telecom spend. *Rating: Positive*

Symphony Services, of Palo Alto, California, is built on some of the longest legacies of the TEM providers in the market — its acquisitions of Stonehouse Technologies, Telco Research and Teletron. With more than 25 years of consulting in the telecom market, Stonehouse provides strong consulting capabilities. Based on conversations with prospective and past customers, Gartner maintains some concerns about the Symphony TEM platform functionality. End users should be direct in their testing of the services and closely define established and future capabilities. Symphony sells licenses to direct customers as well as managed and consulting services. *Rating: Caution*

Tangoe, of New Haven, Connecticut, is the most established brand for TEM software. Similar to Rivermine, Tangoe's primary market is as a software vendor. However, recent portfolio additions include a managed services offering. Tangoe's software, Communications Management Platform, differentiates itself through unique features, such as an exhaustive carrier contract database to easily capture terms and conditions and service-level agreements. *Rating: Promising*

Traq Wireless' mobile resource management technology originated within Motorola, and Traq is the most successful mobile-only player in this space. With more than 175,000 lines managed every month, it is also the biggest. As a result of its growth, Traq was forced to focus on scaling its solution last year, having some trouble with its technology migration and customer service. It also went through a significant reorganization, cutting staff levels by 25 percent to focus on core initiatives and achieving profitability. Traq has made strong advances in developing alternative channels to market and now delivers a significant percentage of its business through channel partners. Traq provides a large suite of services, including a new procurement piece. It has a very deep knowledge of the wireless industry and has helped clients save 10 percent to 60 percent on their monthly bills. It also has one of the broadest strategies in the industry, looking toward additional services in the BPO space that add value but are synergistic with established capabilities. Traq is also adding carrier partners that will use its technology as part of a management service — the first partner is Sprint.
Rating: Positive

Gartner has not included the TEM practices offered by larger systems integrators and outsourcers. These offerings tend to be audit-focused, and in general, systems integrators and outsourcers rely quite heavily on the TEM providers identified in this MarketScope.

Gartner MarketScope Defined

Gartner's MarketScope provides specific guidance for users who are deploying, or have deployed, products or services. A Gartner MarketScope rating does not imply that the vendor meets all, few or none of the evaluation criteria. The Gartner MarketScope evaluation is based on a weighted evaluation of a vendor's products in comparison with the evaluation criteria. Consider Gartner's criteria as they apply to your specific requirements. Contact Gartner to discuss how this evaluation may affect your specific needs.

Table 1 defines the various ratings.

**Table 1
MarketScope Rating Framework**

Strong Positive	Solid provider of strategic products, services or solutions. <ul style="list-style-type: none"> • Customers: Continue investments. • Potential customers: Consider this vendor a strong strategic choice.
Positive	Demonstrates strength in specific areas, but is largely opportunistic. <ul style="list-style-type: none"> • Customers: Continue incremental investments. • Potential customers: Put this vendor on a shortlist of tactical alternatives.
Promising	Shows potential in specific areas; however, initiative or vendor has not fully evolved or matured. <ul style="list-style-type: none"> • Customers: Watch for a change in status and consider scenarios for short- and long-term impact. • Potential customers: Plan for and be aware of issues and opportunities related to the evolution and maturity of this initiative or vendor.
Caution	Faces challenges in one or more areas. <ul style="list-style-type: none"> • Customers: Understand challenges in relevant areas; assess short- and long-term benefit/risk to determine if contingency plans are needed. • Potential customers: Note the vendor's challenges as part of due diligence.
Strong Negative	Difficulty responding to problems in multiple areas. <ul style="list-style-type: none"> • Customers: Exit immediately. • Potential customers: Consider this vendor only if there are no alternatives.

Source: Gartner Research (February 2005)

Recommended Reading

"Expect More Consolidation in Telecom Expense Management Market"

"Telecom Expense Management Offers Sourcing Opportunity to ESPs"

"Telecom Expense Management: SMBs Can Save Money"

Acronym Key

BPO business process outsourcing
CPS Control Point Solutions
RFP request for proposal
ROI return on investment
SMB small and midsize business
TEM telecom expense management

Bottom Line: Telecommunications assets are, for most organizations, the least understood and least managed source of IT indirect costs. Many businesses have made substantial progress to establish network and systems management platforms and processes for IT. Unfortunately, many of these same companies relegate the management of telecommunications assets to business lines and regional office managers. These managers are not equipped or experienced to manage this function, and their inexperience results in the following:

- Manual processes to deal with thousands of invoices for hundreds of contracts, leading to a high cost of management and opportunity cost lost because of improper management
- Paying invoices without auditing them, leading to paying misapplied rates, taxes or any myriad other charges (for example, marketing)
- Managing assets poorly, leading to payment on stranded assets