

CIO's Guide to Cost Cutting: Corporate Wireless Plans



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The Bottom Line: Get a corporate plan from an enterprise-savvy carrier and stop reimbursing individual-liable cell phone bills. An average 125-person U.S.-based SMB will save \$96,000 or 47 percent in the first year (51 percent over three years), yielding a six-month payback period while providing better applications.



Yankee Group looks at the political, economic, sociocultural and technology factors impacting a company or industry.

These elements, which we shorten to **PEST** analyses, frame our SMB research for 2009 starting with the "Anywhere Fallacy" report. [Click here to read it.](#)

Corporate Plans Save SMBs Cash and Move Them Toward an Anywhere IT Mobile Environment

This Focus Report is the second in a series on smart CIO cost cutting made possible by embracing Yankee Group's vision of Anywhere. The first installment, "CIO's Guide to Cost Cutting: E-Mail and Messaging," shows how small and medium-sized businesses (SMBs) can leverage a cloud-based e-mail solution to shed costs and IT complexity while becoming more Anywhere. But rather than focusing on a wholesale technology swap-out, this report shows that significant operating expense (opex) savings may be available by consolidating all wireless voice and data expenditures to gain leverage with a corporate-level agreement with a single carrier. This report also fits into the economics category of our PEST (politics, economics, sociocultural, technology) framework posited in the December 2008 Yankee Group "Anywhere Fallacy" Anchor Report.

Even in these tough times, SMBs continue to invest in wireless voice and data services to keep their employees engaged and productive wherever they go. But many SMBs have allowed their smart phone and wireless deployments to develop and grow organically over the years through piecemeal approval schemes. Too often the result is an unmanageable hodgepodge of carriers, device platforms, features and reimbursement schemes, with finance departments struggling to gain cost control and IT departments failing to provide consistent support.

This report quantifies the cost savings for a 125-person U.S.-based SMB to be nearly half—almost \$100,000 in the first year—by moving from a mix of individual and corporate plans with various carriers to a single corporate-liable agreement with one carrier (see Exhibit I). For the purposes of our analysis, we used Yankee Group's legacy cellular environment and our actual expenditures for 2008, scaled appropriately for the test case. Within the first year of deployment, the SMB will save \$96,000; and within three years, the savings totals \$319,000. And best of all, the upfront migration and implementation costs of making the move are less than \$15,000.

Exhibit I. SMBs Save 47 Percent or \$96,000 in the First Year with a Corporate-Liable Cellular Account

Source: Yankee Group, 2009

One Year Costs of Cellular Wireless Operations

125-Employee SMB (all in U.S. Dollars)

Individual/Corporate Hybrid Liabile Account		Corporate Liabile Account
\$0	Devices	\$5,000
\$120,000	Corporate Plan	\$89,400
\$80,000	Individual Plan	\$0
\$400	Server and Maintenance	\$11,167
\$5,538	Ongoing IT Support	\$3,692
\$205,938	Total Cost	\$109,259

Apples-to-Apples Comparison

Let's start with some simple definitions.

- **Individual-liable plan:** Any individual or family plan for which the employee is liable for the monthly service charges, pays the provider directly and then (optionally) submits part or all of the expense to the business for reimbursement
- **Corporate-liable plan:** An agreement between the provider and the business for several lines under which the business is responsible for any and all charges; should ideally include a pool of voice minutes to be shared across all lines

According to the Yankee Group Anywhere Enterprise—Small and Medium: 2008 U.S. Mobile Professional Blended Lifestyle Survey, 47 percent of employees at U.S. medium-sized businesses (100 to 499 employees) have individual-liable cellular plans. Individual-liable plans add costs to SMBs and create an auditing nightmare for accounting departments. Switching to corporate-liable plans not only adds features and functionality and saves money, but gives the SMB's finance team a way to holistically review wireless costs and suggest changes on the fly. Let's look at the wireless environment of our test SMB before and after the change.

A year ago, our test SMB had 33 employees on individual-liable plans, 40 employees on an AT&T/Cingular corporate-liable plan and 10 employees on a Verizon Wireless corporate-liable plan. This mish-mash of service covered 83 employees, providing local and long-distance voice to all users, SMS to most users and data service to many users. The SMB ran a BlackBerry Enterprise Server with a maintenance plan to provide approximately 50 BlackBerry users access to corporate e-mail and instant messaging (IM). As our test SMB has a Lotus-based messaging platform, a Good Technology server (also with a maintenance plan) was required to provide e-mail for the five Windows Mobile devices in the field. Users did not uniformly have e-mail-capable devices. The IT help desk kept several GSM BlackBerry devices—each incurring monthly line charges on the AT&T corporate plan—as “international loaners” for use by those traveling internationally without GSM devices of their own (i.e., anyone with a Verizon Wireless, Sprint or other CDMA phone). As the accounting department reimbursed individual-liable charges through a traditional, paper-based travel and entertainment (T&E) process, it was very difficult to provide uniform oversight of employee use, increasing the potential for overcharging or improper use. For example, our test SMB could not easily detect an employee using both corporate-liable and individual-liable phones, effectively double-charging the company. Nor did the IT department have any visibility into individual-liable usage—without digging through a pile of expense reports—to audit usage, assist with plan selection, etc.

We decided to move our test SMB to a T-Mobile corporate-liable account with 35,000 pooled minutes for 100 users, and to eliminate all reimbursement for individual-liable plans. All users would receive a new BlackBerry Curve integrated with corporate e-mail (Lotus Notes) and IM (Sametime). To be conservative, we have assumed a \$50 cost per device for 100 BlackBerry Curves in our modeling exercise, even though credits are often available to offset such start-up costs—in exchange for agreeing to a two-year contract term, for example. Each line would include an unlimited data plan and 300 free SMS text messages per month. The T-Mobile 8320 Curves support unlicensed mobile access (UMA) calling over Wi-Fi, so employees traveling abroad can avoid outrageous international roaming rates (typically \$1 to \$2 per minute) simply by finding an available Wi-Fi (802.11) hot spot. We assumed the test SMB would use its existing server to run the BlackBerry Enterprise Server (BES) software, but would need to purchase more client access licenses (CALs) and a maintenance plan. Like the devices themselves, the CALs could be covered by a credit or by a promotion from RIM. The SMB would also have to implement the BES solution and budget one day per month for device management, adds, moves and changes. We incorporated all these costs into our modeling exercise.

The cost savings are significant, especially when you consider that more employees would be covered under the corporate deployment (100 versus 83). Each user would benefit from more features and more consistent service (see Exhibit 2). In addition, our SMB would now be able to create and implement business applications on top of a standard platform using BlackBerry MDS Studio, a huge benefit to drive more productivity.

Exhibit 2. T-Mobile Corporate-Liable Plan Provides More Features and Applications

Source: Yankee Group, 2009

	Corporate-Liable Only	Individual/Corporate Hybrid Liable
Local, long-distance voice included	✓	✓
International roaming extra	✓	✓
Simple internal audit trail	✓	✗
Standard applications	✓	✓
Enterprise mobile e-mail	✓	Some users
Enterprise mobile IM	✓	✗
SMS included in plan	✓	Some users
Unlimited data plan	✓	Some users
Enterprise mobile security	✓	✗
UMA enabled (Wi-Fi calling)	✓	Some users

Recommendations for SMB IT Departments

Switching to a corporate-liable agreement is an opportunity to set fair and consistent qualification criteria across the organization. You can standardize on a common server and device platform (such as BlackBerry), thus simplifying your IT support burden, and upgrade everyone to new devices—while saving a ton in the process. Here are some top-level recommendations to keep in mind:

- **Issue a simple RFP.** Even if it's just an e-mail to the sales reps who are probably calling you already, issuing an RFP serves several important purposes. First, it forces you to invest the time to determine and quantify your needs: how many lines, how many minutes, which services, etc. Second, it allows you to define the structure and timeline for proposals that works for you. And perhaps more importantly, it signals to the carriers that they need to compete—hard—for your business.
- **Be honest about your goals.** Carriers arm their sales reps with a lot of options to design packages. If your priority is to minimize operating expenses, but you are more flexible with capital, let them know. Or, if you are focused on the total annual expenditure, make sure their efforts are aligned. Free devices and start-up credits are often available, as are engineering services to set up your BES, or on-site help to hold training sessions. Be open to multiyear contracts, especially two-year agreements. Pass on three-year contracts unless they really make it worth your while; the third year's bang is generally a lot less—and you'll probably want to upgrade devices going into Year 3 anyway.
- **Pay attention to the details of the sales process.** If your RFP specified 20,000 pooled minutes, but a carrier submits a proposal for 45,000 minutes because of its limited corporate offerings—as happened to our test SMB—how flexible do you think it will be after winning your business? Find out who will be servicing your account after the sale. An attentive account manager will make your implementation and ongoing support a breeze. He or she will have SIM cards (if you use a GSM provider) when you need them and can take care of billing problems, so you don't have to visit a cellular provider's retail store. The retail store environment is not conducive to your SMB transaction, so stay away.
- **Pick a provider with an online billing portal.** Both your IT department and finance department will want access to your corporate cellular bills. A great online tool will enable you to assign employee name, department and tracking codes to each phone number to make your life easier, allow for easy oversight and auditing, and streamline your monthly chargeback procedures.
- **Make sure to implement corporate mobile e-mail and IM on new devices.** Keeping your employees connected with their corporate e-mail, calendar and IM is a good start to move your SMB toward Anywhere IT. Don't skimp on training. For a little investment of time at rollout, you will have much more connected, productive—and excited—employees.
- **Beware of international calling and international roaming charges.** Although we live in an increasingly global business environment, international calling and roaming plans are very parochial. You can easily face thousands of dollars of international charges per month if employees aren't careful. Educate them accordingly: Get them to use UMA capabilities and calling cards while overseas.
- **Be upfront with employees about the changes to a corporate-liable-only plan.** Moving to this type of model imposes limitations on the types of handsets an employee can select. And it necessitates the move to a single platform, also potentially restricting some future business plans. A simple change management plan should alleviate most employees' concerns and set expectations accordingly.

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