

Baseline

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CASE 221 TELECOM MANAGEMENT

Sodexho couldn't keep track of how its employees were using mobile devices—or how much they were spending. An expense management system slashed costs by 25% and streamlined wireless policies.

BY ELIZABETH BENNETT

Taming the Wireless Beast

ROB INGALLS, SENIOR MANAGER OF TELECOMMUNICATIONS at Sodexho, knew he would have to spend a lot of time on the phone, but he never thought he'd have to make calls to each of the company's 4,000 to 6,000 workers who carry mobile phones and other devices.

Sodexho, the \$6.3 billion North American division of a global food services and facilities management company, employs 125,000 remote workers, most of them in 6,000 field locations, which include corporate, university, govern-

ment and hospital cafeterias; sporting arenas; hotels and convenience stores. Roughly 5,000 of its U.S. employees have cell phones, handheld wireless devices, pagers and air cards, according to Ingalls. The company charges back half of all wireless expenses to clients such as AOL, Johns Hopkins Hospital, Northwestern University and the U.S. Marine Corps.

A spring 2004 audit conducted by Atlanta consulting firm Advocate Networks, however, revealed shortcom-

ings with Sodexo's oversight of wireless devices. Among the findings: Sodexo had about 500 idle or barely used phones, no official policy for procuring and managing wireless devices, and a paper-based invoice processing system. Moreover, the external audit concluded that Sodexo was overspending at the time between 20% and 25%—which could have added up to \$1 million annually, according to Forrester estimates, though Sodexo would not confirm that number—on its wireless communications.

Ingalls needed to quickly get a handle on which phone accounts were live and which were inactive. For four months, he and his team called each mobile phone, direct-connect phone, BlackBerry and wireless air card user to make sure that the employees who were supposed to be using the devices were actually using them.

With the audit, Ingalls says, "We saw that the way we were operating was less efficient than it could be."

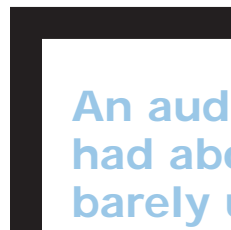
Ingalls and Tony Tocco, the company's vice president of information systems and technology, along with the support of an I.T. governance committee, decided changes were in order. One was to deploy a telecommunications expense management system—software that keeps track of wireless assets and expenses, and automates procurement, inventory management, invoice processing and audits—to help reduce costs.

The result has been dramatic. The company has been able to deactivate approximately 500 unused or barely used mobile phones, it now has a near-complete inventory of all its wireless devices, and it can continuously analyze wireless device usage to ensure it is always using the most financially advantageous plan.

But getting from where it was in 2004 to where it is now was a technical and organizational challenge. In addition to getting an inventory of its employees' scattered wireless devices, the company had to get control of all its wireless accounts, convince reluctant employees to adhere to new communications policies, and integrate the new expense management system into its existing information infrastructure.

GETTING A HANDLE ON HANDHELDS

Sodexo isn't alone in deploying an expense management system. With wireless voice communications averaging \$75 per user per month in U.S. companies—and up to twice



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SODEXHO BASE CASE

Headquarters: 9801 Washington Blvd., Gaithersburg, MD 20878

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Business: Provider of catering and facilities management services.

Project Leader: Rob Ingalls

Financials in 2005: \$6.3 billion in North American revenue in fiscal year 2005, up from \$6 billion in 2004.

Challenge: Develop complete and accurate inventory of all mobile phones and handheld wireless devices.

BASELINE GOALS:

- ▶ Reduce wireless spending by 25%, from an estimated \$4 million in 2004 to \$3 million in 2006.*
- ▶ Transfer liability of all 4,000 to 6,000 wireless accounts from employees to the corporation by February 2005.
- ▶ Consolidate wireless providers, from dozens in 2004 to three in 2005.

*Based on Forrester Research estimates

that for those with data services like wireless e-mail and Internet access—many companies are turning to these packages to help them get a handle on their telecom costs, says Lisa Pierce, vice president at Forrester Research. Capital One, Best Buy and Ikon Office Solutions are just a few businesses that use telecom expense management software to oversee their wireless programs, according to software vendors and media coverage.

Ingalls says the software application from Fairfax, Va.-based Rivermine was appealing because it could handle the entire life cycle of wireless services—procurement, asset management, invoice management and deactivation. And Rivermine could host the Web-based application on its own servers, which worked for Sodexo because, according to Ingalls, the company was replacing many of its data center servers and didn't want to take on additional applications.

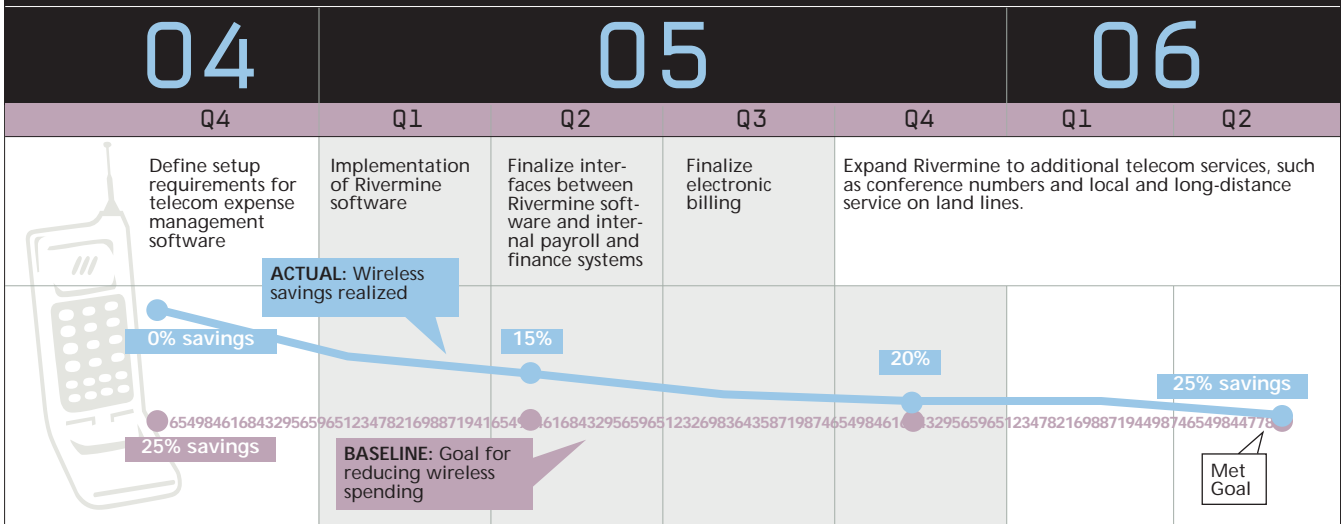
Sodexo would not disclose how much it paid for the Rivermine software and consulting services project team. Mark Logan, Rivermine's CEO, says customers typically spend between 1% and 3% of their annual telecommunications budget for the software and implementation, and that the package is best suited for companies that spend

a minimum of \$6 million to \$8 million annually on telecommunications.

But before it could deploy the software, Sodexo first had to assume ownership of all voice and data lines. "We realized the only way to get a handle [on wireless] was to own the phone

SODEXHO: WIRELESS WASTE ELIMINATION

Sodexho replaced its paper-based wireless invoice processing system with telecom expense management software. The switch has enabled the company to get a firm grip on its handheld wireless inventory and expenses, and to realize a 100% return on its initial investment.



SOURCE: SODEXHO

numbers and liability,” Ingalls says.

Until then, Sodexho employees with handheld wireless devices had individual contracts with wireless providers. Managers in laundry facilities, warehouses and other locations purchased mobile phones from the local offices of wireless providers. They chose the phone, the plan and signed the contract, Ingalls says, thus gaining ownership of the number. Each month, those employees submitted paper invoices or an expense report for reimbursement to a regional manager. Managers would approve—or reject—the documents and mail them to Sodexho’s finance division in Buffalo, N.Y., for processing.

The process was paper-based, Ingalls says. Managers had to sign off on invoices and expenses with a handwritten signature. “You had hundreds if not thousands of people sending in their individual invoices each month,” he recalls. And with so many invoices, he says it was very difficult to identify errors and problems, such as overcharges or plans that were incongruent with usage patterns.

Sodexho tackled the invoice problem on two fronts. First, it asked all employees to transfer wireless ownership of devices and contracts to the company. Then it negotiated a single “pooled” plan with primary carriers Verizon Wireless, Cingular and Nextel so that workers could share minutes.

Today, the company receives a monthly invoice for each device with detailed usage, but the vendors consolidate the invoices and send them electronically—Verizon Wireless by e-mail, and Cingular and Nextel

by CD via snail mail. Ingalls says the invoices on the CDs, written in the electronic data interchange format, include more account information than the carriers could provide in an e-mail version.

The electronic invoices get uploaded to Rivermine’s Finance Manager, and their contents, such as the number of minutes allocated per month, are checked against the device and contract information residing in the Inventory Engine. If there is an error, like an incorrect rate plan, Finance Manager will flag those accounts in an “exception” report.

The system generates reports that are uploaded to a spreadsheet and e-mailed to finance managers who combine current and historical numbers to review metrics such as number of devices purchased and monthly changes in wireless spending. Finance Manager also analyzes invoices and generates reports suggesting more cost-effective plans for workers who use their devices significantly more or less than their current plans allow.

But the uploaded invoices are used for more than just checking and analyzing bills. In the past, it used to take several months and past due notices from the wireless provider before an idle account was identified. Managers in the field were responsible for making sure the wireless accounts of their departing reports were terminated, and there was no system for tracking whether an account was actually turned off. With Rivermine’s Service Order Manager, Ingalls says he can quickly submit account deactivation requests directly to the wireless providers for employees who are no longer with the company. Payroll data, such as

employee name and termination date, is uploaded to an Oracle table in the Rivermine software each week from Sodexho's human-resources payroll database and checked against active wireless accounts in the Inventory Engine. The software scans the data for recent termination dates and automatically generates text messages in the electronic records of the wireless accounts that need deactivation.

FACING THE TECHNOLOGY CHALLENGES

While the results have been fairly impressive, getting the Rivermine software to work for Sodexho took some effort, according to Tocco. "The software is great, but it has to be customized and configured for your business," he says. "You have to be ready to invest your own time and consulting services to get the implementation that is right for you."

It took Sodexho about three months to configure the software to its specifications. Sodexho used a team of three Rivermine consultants for the project. Rivermine says such an investment is typical for its customers.

In Sodexho's case, the Rivermine software needed to be integrated with the facility management company's payroll and financial data because Sodexho wanted to be able to track accounts and analyze spending and procurement trends.

To integrate the software with the legacy payroll system, Ingalls worked with the Rivermine project team to create a script that once a week pulls data, such as employees' hire dates, unit information, location and termination date, in SQL format from the company's payroll database into a text file. The file is uploaded to an FTP file-sharing server and then imported into the Rivermine software.

To ensure that wireless expenses were charged back to the right department and client, Sodexho wanted certain wireless account information to be verified by a server it calls a unit charge allocation system. Relevant data, such as employee numbers, unit and division, is scheduled to be exported to a text file each month and then uploaded to the chargeback system, which validates the data and then exports it to SAP financial software and the company's general ledger.

Overall, developing a wireless management policy, communicating it to employees, transferring liability and installing the software to get a near-complete and accurate inventory of wireless devices was very labor-intensive, Ingalls says, but there's a big payoff: The company has reduced wireless spending by 25% and has realized a 100% return within a year of its initial investment, according to Tocco.

And then there are the intangible benefits. Ingalls points out that the company now has an official wireless management policy, which includes guidelines for employees about how they should use their devices when traveling abroad, calling headquarters on the toll-free number instead of the local number, and whom they should notify if they lose a device.

In the end, Tocco sees telecom management as an opportunity for information technologists to step out and lead within their corporations. With a telecommunications expense management system, he says that information technology "is in a position to really select and manage various aspects of telecommunications in a way that provides [comparable] or better services, in what amounts to a pretty dramatic price reduction. I.T. should get on board with this." ♦

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