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The Return of Capital Expenditures - Good News for All of Us

By Tim Wise,
Co-Founder & Co-President,
Advocate Networks, LLC

While the last 18 months (also known as the Great Recession) have been extremely challenging for all of us, we are beginning to see the early stages of growth and reinvestment in enterprises. Specifically, over the past four months, we have seen a surge in demand for assistance from our clients and the broader market in infrastructure planning for data centers, telephony and contact center platforms. All of these initiatives demand significant capital expenditures exceeding a minimum of \$1 million with some over \$30 million. This demand should be encouraging all of us in terms of overall business confidence and future economic growth.

Beginning in January 2008, we saw these infrastructure projects pause or reduce in size, then permanently halt around September 15, 2008, corresponding with the Lehman failure. On that date, it was like every CFO instructed every CIO to stop spending money - especially on capital expenditures - and to cut operating expenses quickly. Now, with the economy on more solid footing and the realities of deferred capital investment on business growth, our clients are beginning to plan for those upgrades and reinvestments.

Regarding data center projects, our clients are now out of power and time is running out. Historically, many enterprises considered continued investments in internally owned data centers. Today's clients, however, lean towards external data center providers. The dynamics driving this trend are twofold: First, enterprises want to preserve capital for core investments - ones that typically generate revenue (versus a support function). Second, the power, infrastructure demand and management complexity required to maintain a high-availability data center is ever increasing (Tier 3 or 4 rating according to *Uptime Institute*).

The deferral of telephony and call center platforms investments are also now causing enterprises to be faced with significant end-of-life risks. The end-of-life risks are being accelerated as now many systems have gone 10-plus years without major investment. Another factor is the continued consolidation (or elimination) of many telephony and call center platform manufacturers. Enterprises are now on notice by many manufacturers that have "hard" end-of-life

dates occurring in the next two to three years, while others are just speculative (i.e. the Nortel platforms). While these systems may still perform relatively well today, the impending end-of-life risk and the increased productivity functionality of newer IP-based systems are motivating enterprises to begin planning for future systems and platforms.

While these interpretations are limited to Advocate Networks' observations within the market, Cisco's recent quarterly earnings announcement appeared to validate a rebound in IT infrastructure investment. If these observations are true, then the outcome should be good for all in terms of rebounding business confidence and economic growth.

To learn more about infrastructure planning for your communications and data center needs, please contact Tim Wise at (678) 987-5995 or tim.wise@advocatenetworks.com.

Challenges on the Global Telecom Procurement Front

By Gerry Carson, Managing Consultant, Advocate Networks, LLC

For all types of strategic procurement, success is getting a vendor to apply a discount based on total volume of spend, for a product offering that meets or exceeds your needs. While volume of spend is not the only driver of price, the key challenge in global telecom procurement is getting discounts commensurate with total spend. This challenge is surmountable and requires driving vendors to respond based on one single business case. Many vendors, particularly large operators, are structured by region and also further divide responsibility by product. This can lead to pricing based on the parts and not the sum, thereby reducing the client's leverage and procurement savings. How can this be overcome?

Vendors that have large global structures, with both retail and wholesale channels, must be held accountable to produce a single business case. This means that a vendor's North America or Asia-Pacific team cannot be allowed to provide bid responses individually. The business case for telecom vendors is driven by total spend, total incremental discount dollars, and total incremental EBITDA over a certain time horizon. Process and knowledge of the telecom vendor business case is required to maximize savings and negotiate successful multi-year deals.

The process is critical because it must include an assessment of current expenses that provides a clear view of spend by vendor and price per unit. An accurate expense view by class of service (voice and IP transit, data, collocation, SMS and other expense groups) allows for full leverage of spend during an RFP. Knowing your expenses by vendor allows for 100 percent leverage with one vendor. Establishing a price per unit allows companies to benchmark what they are paying today versus best-in-class rates.

The recipe for success in global procurement includes the following:

- Conducting effective assessment and expense baseline by vendor and class of service
- Identifying best-in-class, market-based rates
- Benchmarking each class of service against best-in-class rates
- Structuring global procurement to drive responses based on one business case
- Engaging all incumbents and a solid mix of new growth vendors
- Structuring and implementing a savings roadmap to ensure savings are realized

Please contact Gerry Carson at (678) 987-5905 or gerry.carson@advocatenetworks.com in order to learn more about the Advocate Networks procurement process, and find out what we can do for your company today.

Product Management: An Ounce of Prevention...

By Tom McLean, Senior Consultant, Advocate Networks, LLC

It sounds like an old cliché, but an ounce of prevention is worth a pound of cure. That cliché, along with "history repeats itself" and "I did not see that one coming" can apply to many decisions or questions regarding service provider products, such as telephones, high-speed internet or video. Several common questions arise:

- How do customers use your product?
- Has the way your customers use your product changed? If so, how?
- What would happen if you introduce a new product and/or change the pricing of a current one?
- What was the impact of a competitive product launch or change on your customer base? What customers did it impact? What types of customers were they, and how did they use your product? Are there other customers that have the same or similar usage behaviors, and are therefore at risk?

What do the before-mentioned clichés have to do with any of this?

More than likely, a product price change or competitive launch has occurred before. Understanding the subscriber-level impacts for a historical event provides important insight into what may occur as a result of the new potential change. History repeats itself.

Ready access to historical information gives the product manager an easy chance to proactively monitor and report on trends that can impact your business. I did not see that one coming.

Working to pull large amounts of historical data in a reactive fashion (a pound of cure) can be a very time-consuming, resource-intensive process. This is potentially so time consuming that the task cannot be performed in a timely enough manner to adequately respond to the situation at hand.

To help our clients, Advocate Networks has developed a process of storing and reporting from custom-made, subscriber-level data sets. These data sets are typically extracted from current-period data during month-end batch processes, and therefore do not burden already fully loaded data management teams. Advocate Networks in turn can act as a variable workforce to clients, providing a wide variety of routine and ad hoc analyses. An ounce of prevention is worth a pound of cure.

Advocate Networks enables clients to be proactive and timely in their decision making and response to senior management. If you would like more information, please contact Tom McLean at (678) 987-5960 or tom.mclean@advocatenetworks.com.

Advocate Networks and PRGX Form Strategic Alliance

Advocate Networks, LLC and PRGX Global, Inc. entered into a strategic alliance to expand the recovery audit capabilities they can deliver to their clients.

PRGX is the world's leader in recovery auditing and a pioneer in a new category of services called "profit discovery," the combination of audit, analytics and advisory services to improve client financial performance.

- **Audit:** Businesses in transaction-intensive industries inevitably leave money on the table across the procure-to-pay or merchandising processes. PRGX reviews the entire transaction cycle - contracts, pricing,

rebates, returns, payments and taxes - to identify and recapture overpayments and add them back to clients' bottom lines

- **Analytics:** The foundation of recovery auditing is analyzing massive amounts of transaction data. For PRGX, that analysis has historically been limited to identifying payment errors, but its new services dig deeper to find out why clients are overpaying, how they can better manage costs, and what other profits are hiding in clients' operations
- **Advisory:** Finance executives regularly require outside help to identify and realize profit improvement opportunities. PRGX's new advisory services combine data analytics, deep functional expertise in finance and accounting, and a practical hands-on approach to help clients increase their operating margins by improving working capital, transforming finance and accounting functions, reducing costs across the enterprise, and implementing corporate performance management

"With PRGX's global leadership in profit discovery and Advocate Networks' recognized expertise in telecommunications, we believe our combined efforts will create outstanding results for our clients," said Scott Fogle, co-president and co-founder of Advocate Networks.

To learn more about recovery auditing and profit discovery, please contact Scott Fogle at (678) 987-5990 or scott.fogle@advocatenetworks.com.

Customer Spotlight: Numerex



Numerex Corp. is the machine-to-machine (M2M) provider of choice to some of the world's largest organizations, delivering secure, all-around solutions through a single source. The company's M2M expertise enables its customers to efficiently, reliably and securely monitor and manage assets remotely, while simplifying and speeding up development and deployment.

Numerex has worked with Advocate Networks for a number of years, including on the most recent engagement to reduce our telecom infrastructure costs. Through Advocate Networks' in-depth knowledge of multi-layered benchmark pricing, we were provided with visibility into the attainable savings picture. Advocate Networks led us through a very detailed and disciplined process, working with both the legacy and multiple prospective telecom providers. Our final savings result even exceeded initial estimates, which of course drops right to the bottom line! Thus, we highly recommend Advocate Networks when it comes to reducing your telecom spend.

-William G. Simitzes, Vice President of Network Operations, Numerex Corp.

Ongoing Community Service: Children's Christmas Parade



Members of the Advocate Networks team gathered early the morning of December 5, 2009 to volunteer for the 29th annual Children's Healthcare of Atlanta Christmas Parade. For the second consecutive year, Advocate Networks gave back to the community and kicked off the holiday season by participating in the parade's Wheels Committee, making sure groups in the parade were lined up and properly organized.

"We had an awesome time volunteering at the Children's Healthcare Parade," said Carrisa Baptiste, manager of wireless help desk and order management at

Advocate Networks. "I'm sure we helped put smiles on a lot of children's faces while also representing one of our company's guiding principles: 'Give back to the community - we have been given so much.'"

Attracting more than 300,000 spectators annually, the Children's Christmas Parade is the largest Christmas parade in the Southeast. Proceeds from the 2009 parade will help fund programs and equipment to serve the patients and families at Children's Healthcare of Atlanta. Children's is ranked among the top children's hospitals by Parents magazine and U.S. News & World Report, and has made an impact in the lives of children in Georgia, the United States and throughout the world. The Advocate Networks team is honored to volunteer for such an impactful and important organization.

Look For Us!

CTAM's Cable & Telecommunications Industry

Fundraiser: SkiTAM

April 8-11

Location: Vail Cascade Resort

Vail, CO

[Visit Website](#)

VHA Georgia Trustee Institute

May 5-7

Location: Ritz Carlton

Amelia Island, FL

[Visit Website](#)

ATP Golf Tournament

May 24

Location: St. Ives Country Club

John's Creek, GA

[Visit Website](#)

The World of IT Financial Management

June 21-25

Location: Jefferson Hotel

Richmond, VA

[Visit Website](#)

To learn how Advocate Networks can reduce your communications expenses, please contact Scott Fogle at (678) 987-5990 or scott.fogle@advocatenetworks.com.

Referrals are always appreciated (and rewarded)! Please contact Susan Schroeder at susan.schroeder@advocatenetworks.com for information about our referral program.

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