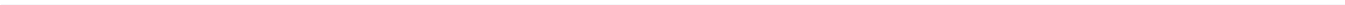


Managing Telecommunications Spend



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The Cost Management Headache

Today's global economy demands that enterprises operate as efficiently as possible. As a result, industry leaders are continually evaluating ways to reduce unnecessary direct and indirect costs from their supply chains. Many companies are now focusing on getting control over their telecom spending in order to better manage indirect procurement costs. These high dollar volume and, often, poorly controlled expenses can represent a significant percentage of an organization's IT budget—as much as 10 percent for large organizations and as much as 30 percent for more distributed organizations.

The deregulation, consolidation, and technological innovation in the telecommunications sector have resulted in extremely complex pricing and billing schemes. Enterprise decentralization and inadequate business controls compound the problem even further. A report recently published by the Aberdeen Group¹ reported that up to 85 percent of a typical enterprise's telecom bills are paid in full without auditing. Aberdeen also found that 7 to 12 percent of all telecom service charges are in error. For a typical large enterprise such unnecessary costs can add up to over \$8 million in lost profits annually.

Business Challenges

To control telecom spending effectively, enterprises must understand the many factors that contribute to the excessive telecom costs.

- **Billing Inaccuracies**—Lack of integration between carrier billing and order management systems results in disparities. The most common example is services that have been cancelled, but continue to be billed. Additionally, as many services have become virtualized and decoupled from physical locations, enterprises are more challenged to account for all services in use.
- **Employee Abuse**—Excessive or unauthorized usage by employees contribute to unnecessary costs. Examples include Internet access from mobile devices, directory assistance, long distance charges and maverick purchases from buyers at decentralized locations.
- **Service Usage**—Services such as monthly rate plans for mobile subscribers are often underutilized services by employees. An employee may have a rate plan that allots 1000 minutes per month, but only 200 minutes are typically used.
- **Hidden Costs**—Unscrupulous practices by carriers such as “cramming” of unauthorized services to an account can result in employees unintentionally subscribing to unneeded services.

Telecommunications costs can be as high as 30 percent of an IT budget.

EXAMPLES OF TELECOMMUNICATIONS SERVICES INCLUDE:

- Local voicemail
- Domestic and international long distance
- Facsimile
- High speed data such as Frame Relay
- Mobile voicemail
- Home broadband
- Remote access VPN
- Calling card
- Wireless e-mail and data services

¹ - Aberdeen Group—Best Practices in Telecom Spend Management, March 2005

Additionally, there are five factors that have combined over the past twenty years to create a high degree of complexity for managing telecom expenses.

ARE YOU MANAGING TELECOM EXPENSES APPROPRIATELY?

- Are services you cancelled promptly removed from your invoice the following month?
- Are credits for service level violations or billing errors applied in the following month's invoice?
- Are you able to monitor for fraudulent use of your calling card and wireless services by unauthorized third parties?
- How much has the cost of a circuit declined since you last negotiated your contract?
- Are your employees making excessive or unauthorized long distance, directory assistance, or international calls?

- **Rapid Change in the Industry**—In the early 1980's, telecommunications services consisted of local and long distance voice services purchased from a single, regulated corporation. Today, enterprises manage a mix of local, long distance, data, wireless, broadband, and facsimile services. Deregulation, innovation and the proliferation of regional and national service providers have dramatically improved service offerings, but have added complexity as well.
- **Fragmentation of Procurement**—Fragmentation is the result of dividing procurement functions into business units, geographic regions, or operating companies. Companies with a large number of office locations often struggle to monitor and manage telecommunications expenses. In many cases, each individual facility may have an office manager who contracts locally for telecommunication services. Mergers, acquisitions, divestitures and restructuring can create fragmentation as well.
- **Increased User Mobility**—A growing percentage of employees are telecommuting and communicating through mobile devices. Mobility significantly compounds the difficulty of maintaining accurate inventories of subscribers and services. Accounting is further compounded by the fact that many employees directly contract for broadband, home voice or mobile services with the carriers. These costs are reimbursed through monthly expense reports, which may not be reported to IT managers.
- **Digitization of Services**—Business voice services are rarely hard-wired to individual phones today. Instead, digital switching equipment managed centrally can provision phone numbers and features remotely in a matter of minutes. Moves, changes, additions and deletions of lines can result in unused active lines. Furthermore, each different line could have any number of value-added services such as call forwarding and three way calling. Users may not be aware that they are subscribing to these services. The result is unnecessary expenditures.
- **Billing Complexity**—This is especially high in the telecom industry. Most services are subject to complex tariff and tax structures imposed by various regulatory commissions. Metered services based upon actual usage require call detail records to perform an accurate audit. Mergers, acquisitions, and strategic business units among the carriers have created a legacy of complex billing systems. It is not uncommon for large telecommunications carriers to have 10-15 billing systems representing different product sets and geographic regions.

Steps Towards Optimizing Telecommunications Spends

These challenges, while daunting, are not insurmountable. The common ingredient in managing the complexities of telecom expenses is information. With accurate, up-to-date information about service usage, network inventory, and contract terms, telecommunications costs can be monitored and managed effectively.

Step 1: Eliminate Manual Processes

Some enterprises have attempted to manually audit and reconcile paper invoices for discrepancies and abnormalities. Manual processes do not scale cost-effectively. These processes can consume valuable time from network managers distracting them from priorities such as introducing new services or enhancing responsiveness to end-users.

An automated approach is required for successful management of telecom expenses. First, an infrastructure for receiving electronic versions of the invoices must be established. Electronic invoices should be transmitted directly into an accounts payable, general ledger, or business intelligence system. Alternatively, the data may be fed into a specialized application designed specifically for analyzing telecommunications spend. Once the information is available electronically, a regular monitoring, auditing, and validation process can be established.

Linking and automating processes can enable you to develop efficient workflow management and experience cost-management benefits including:

- Improved data accuracy
- Labor savings due to fewer resources being involved with each process
- Migration away from paper-based processes
- Avoidance of late-payment penalties
- Improved efficiencies in budget planning and forecasting
- Easy detection of exceptional or unusual charges

Step 2: Monitor Monthly Expenses

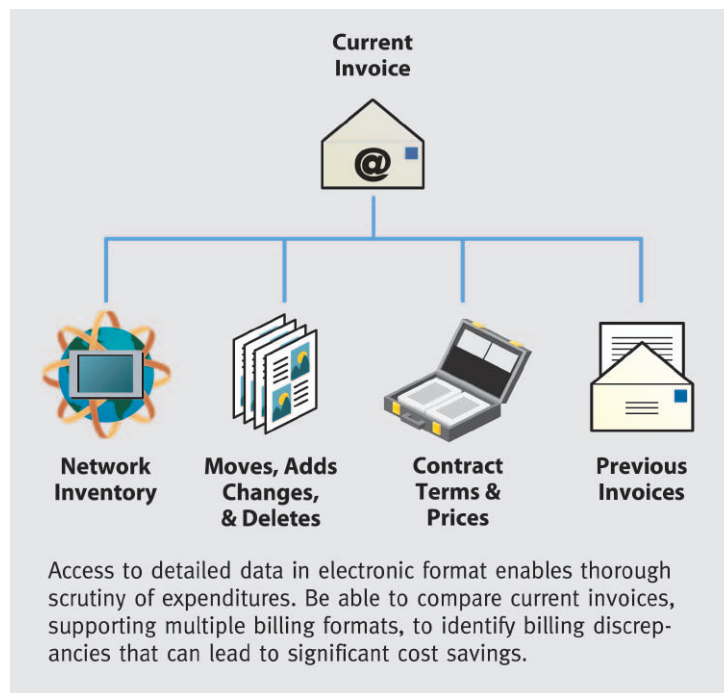
Access to detailed calling record data in electronic format enables more in-depth analysis of expenditures. Analysts can compare current monthly expenses by category to previous monthly charges and contracted terms. New, deleted and changed service items can be compared to orders and network configuration records. Additional opportunities for savings can be determined by analyzing expenditures within different categories, such as by service provider, product type, office location or business unit.

An established monitoring, auditing, and validation process will lead to savings in a number of areas by allowing companies to:

- request credits from the service provider for incorrect, duplicate, or fraudulent charges;
- deactivate unused services with the carrier based upon call detail auditing;
- optimize rate plans based on trending of usage patterns from detailed record analysis;
- enable user accountability through internal accounting and charge back mechanisms; and
- leverage the quality and depth of information to negotiate more favorable contracts with providers.

Greater return on investment can be achieved by a more comprehensive approach to telecommunications expense management.

FIGURE 1: INVOICE VALIDATION AND AUDITING PROCESS



Step 3: Centralize Procurement (Optional)

Some customers may wish to go a step further to reorganize their purchasing processes to yield additional savings. A centralized procurement strategy creates opportunities for significant cost savings. Maximum discounts can be achieved by aggregating buying power. Consolidation of vendors can lead to improved contract terms, options, pricing, and service levels.

Requirements for Success

There are four core elements that should be examined to help organizations save substantial amounts of money:

- Clean data
- Multiple document formats
- Back office integration
- High volume process

Core Element	Requirement	Solution
Clean Data	You must be able to get clean, reliable flows of information from service providers.	The solution must include electronic invoices with detailed calling records.
Multiple Formats	Telecommunications providers should be able to supply electronic invoices in multiple document formats.	The solution must be able to process XML, EDI, and other proprietary billing formats.
Back Office Integration	Invoicing data must use a document standard that is easily integrated into your back office systems.	The solution must be able to integrate with accounts payable, general ledger, and business intelligence systems.
High Volume	To achieve meaningful costs savings you must be able to electronically process a high percentage of overall telecom spend.	The solution must be applicable to large, multi-national carriers as well as smaller, regional providers.

Once these requirements for the core elements are identified, it is easier to understand what the solutions should entail.

GXS Addresses the Telecommunications Spend Needs of Today's Enterprises

GXS offers an electronic telecommunications invoicing service for enterprises seeking to better manage indirect procurement processes. The invoicing service is offered on GXS Trading GridSM, a next generation B2B network designed to enable business partners to exchange information and collaborate electronically. GXS manages the receipt of electronic detailed telecom invoices supporting multiple billing formats. This electronic invoice detail can then be easily imported to analytical applications focused on telecom cost optimization.

Features of GXS Electronic Telecommunications Invoicing Service

The GXS electronic invoicing service includes:

- **Electronic Invoices**— Remove paper-based documents from your auditing and validating processes. The GXS service includes electronic versions of telecommunications invoices. Paper invoices are typically in summary format with a high level tabulation of charges.

Obtain detailed call records that would be impossible to manage in paper format. Call detail records provide a level of granularity necessary to identify inaccuracies and inconsistencies that are not clear from summary data. Services and usage data can be linked to individual billing telephone numbers.

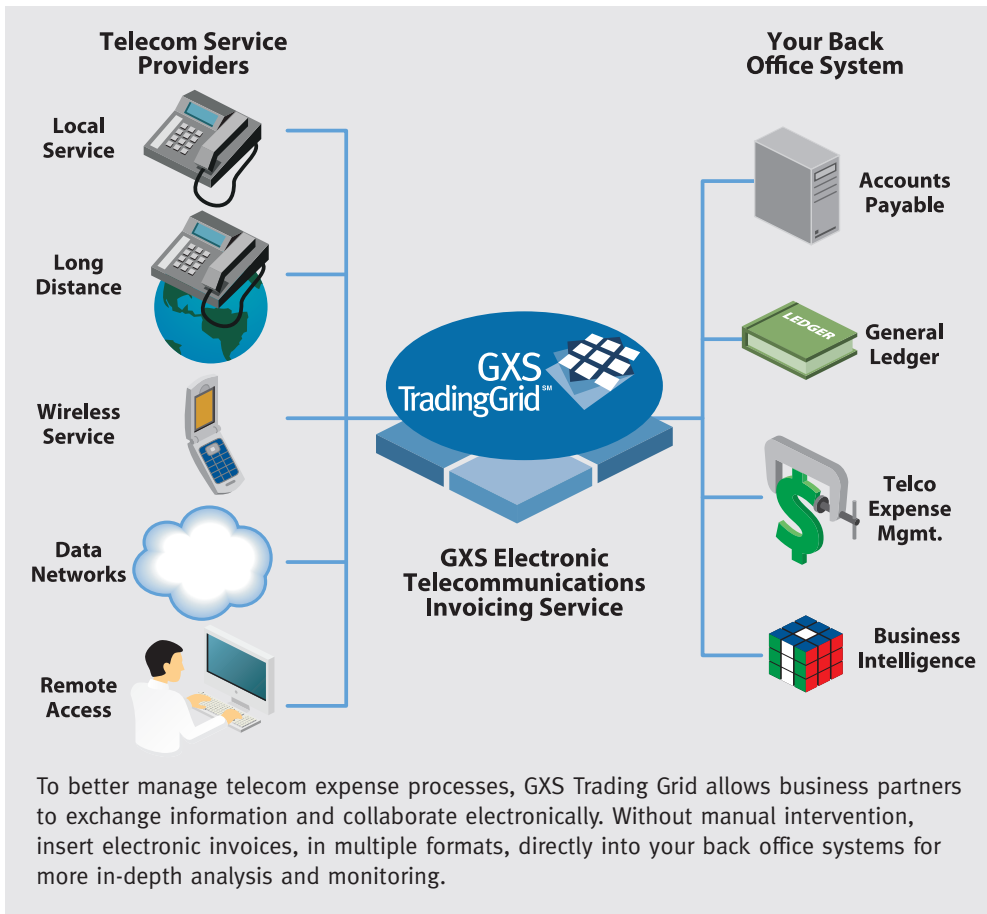
GXS ELECTRONIC TELECOM INVOICING SERVICE

Hosted Solution in GXS Data Center with

- Continuous power backed by uninterruptible power supplies and diesel generators
- Redundant environmental control systems
- Gaseous fire suppression system
- State-of-the-art physical security systems
- Monitoring of systems health and application performance
- Security of network, data center, systems, and applications
- Content and system data backup and as necessary the recovery of data

- **Electronic Payments**—Electronic copies of remittance advices with detailed accounting information can be provided to your service providers. Additionally, leveraging GXS's relationships with 100 percent of the Fortune 500 banking institutions, we can facilitate electronic payments between you and your telecommunications providers.
- **Back Office Integration**—Insert electronic invoices directly into your back office systems. GXS has the capability to integrate with General Ledger and Accounts Payable systems, as well as, B2B Integration Brokers and Enterprise Application Integration (EAI) hubs. GXS offers straight-through processing with no required manual intervention.
- **Multiple Billing Formats**—GXS can accept invoices in a variety of formats from your service provider including EDI, XML, Microsoft Excel, or even proprietary telecom billing formats. The invoices can then be converted into the format appropriate for your back office systems—EDI, XML, SAP iDOC or other proprietary formats. The GXS Trading Grid services have a robust data transformation capability that enables GXS to convert bills from any input format to any format you prefer.
- **Carrier Support**—GXS offers consultative services for small and medium sized providers that may not be familiar with electronic invoicing. Many international or smaller carriers lack extensive experience with electronic commerce technology. GXS can provide education, consultation, testing and support to your community of service providers. GXS Community LinkSM has been used by thousands of companies to enable their electronic commerce programs. GXS Community Link is available in 20 local languages in over 30 countries around the world.
- **Change Management**—GXS offers change management services for you and your service providers to ensure continued ROI from your expense monitoring efforts. The rapid pace of change in the telecommunications industry demands an on-going maintenance effort to ensure the timely and accurate receipt of billing data. The formats of invoices are subject to change as carriers merge and regulatory requirements change. The vendors you contract with are subject to change as new services emerge and contract renegotiations occur. GXS has a programmatic approach to ensuring that industry or company specific events do not impact your electronic invoicing feeds.

FIGURE 2: GXS TELECOM ELECTRONIC INVOICING SERVICE



Benefits of GXS Electronic Telecommunications Invoicing Service

Return on Investment—Establishing a process for validating and auditing telecommunications invoices will enable you to achieve savings of up to 15%. Identifying billing errors from your service providers will become easier. Additionally, you will be empowered with the information to identify employee abuse, under-utilized plans, and over-priced services.

Accounting—Obtaining call detail records in electronic format will enable you to account for telecommunications spending by business unit. The additional details can be used to accurately charge back costs to individual business units accurately.

Early payment discounts—Electronic invoices are received immediately avoiding the typical delays experienced with sending physical bills through the postal service. Integration directly into back office systems enables faster validation, processing, and payment by the accounting organization. Many service providers offer early payment incentives to their customers of up to 1.5%.

Contract negotiation—Call detail records can be used to more accurately predict usage of telecommunications services. Additional information empowers your business to negotiate better rates and plans with service providers.

DETAILED CALL DATA

- Call Level Detail by Telephone Number, Day of Week, Time of Day
- Fixed Monthly Fees
- One-Time Fees
- Partial Usage Charges
- Discounts
- Taxes
- Costs per Minute
- Overage Charges

Service continuity—Automated processes for validating invoices will help eliminate mistakes. Higher quality data reduces the risk of inadvertent cancellations of critical lines that can result in an end-user outage. Automated processes expedite the resolution of disputes lowering the risk of a carrier deactivating services for non-payment.

Re-deploy resources and budget—Elimination of manual auditing and validation processes can free up significant amounts of time for corporate telecommunications managers. Time previously spent reconciling invoices can be invested in deploying new value added services such as Voice over IP. Costs recovered from unnecessary telecommunications spend can be reinvested in additional services such as redundant lines for disaster recovery.

Why Now?

The telecommunications industry continues to undergo a rapid pace of change. The mega-merger trend that emerged in the past year will accelerate these changes. Post-merger integration efforts will witness the further consolidation of billing systems, product lines, and customer relationship management systems. Each of these integration efforts introduces new opportunities for billing errors.

New services such as voice over IP promise to substantially reduce the cost of business telecommunications. However, to ensure the return on investment is achieved, network managers must ensure that legacy services are discontinued promptly and that new virtual services are only used

Market leading corporations are investing in telecommunications expense management infrastructure now to gain a competitive advantage.

Why GXS?

GXS is the leading provider of business-to-business electronic commerce services in the world. The GXS network processes approximately four billion transactions per year. Our Trading Grid is one of the largest payment networks in the world.

GXS offers unmatched translation and integration capabilities. Telecommunications bills are among the most complex types of invoices in existence. GXS has extensive experience in mapping complex electronic document formats to a wide variety of industry standard formats such as EDI and XML. GXS services over 40,000 Small and Medium Businesses in over 50 countries around the world. GXS can ensure that electronic invoicing processes are established with all your service providers from large multi-national carriers to small, start-up providers. Our Community Link services ensure that electronic invoicing processes remain consistent month-to-month by providing on-going change management and technical support.

RECENT TELECOMMUNICATIONS MERGERS

Sprint and Nextel

SBC and AT&T

Verizon and MCI

About GXS Managed Services

As a part of the GXS Trading GridSM platform, Managed Services offers the technical infrastructure to conduct a global B2B program, including data translation, transaction visibility, systems administration, and robust reporting capabilities. In addition, GXS Managed Services provide customers the B2B experts to deliver world-class B2B program management, trading community management, and customer support. The GXS Trading Grid enables customers to automate transactions with their trading community while shielding companies from rapidly changing standards, eliminating manual and duplicative efforts and enabling a higher level of process integration and business intelligence.

About GXS

GXS is a leading provider of B2B e-commerce solutions that simplify and enhance business process integration and collaboration. Organizations worldwide, including 75 percent of the Fortune 500, leverage GXS' GS1 certified global interoperability and supply chain execution solutions. Active in the global standards arena, GXS offers solutions, powered by the Trading GridSM, that enable customers both large and small, to connect with global partners, synchronize product information and optimize the execution of supply chains.

Headquartered in Gaithersburg, MD., GXS provides sales and support to businesses and their partners worldwide. For more information about GXS visit www.gxs.com.



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