State of the TEIM Market 2008: The Forrester Report

Best Practices in Evaluating Telecom Expense and Inventory Management Suppliers
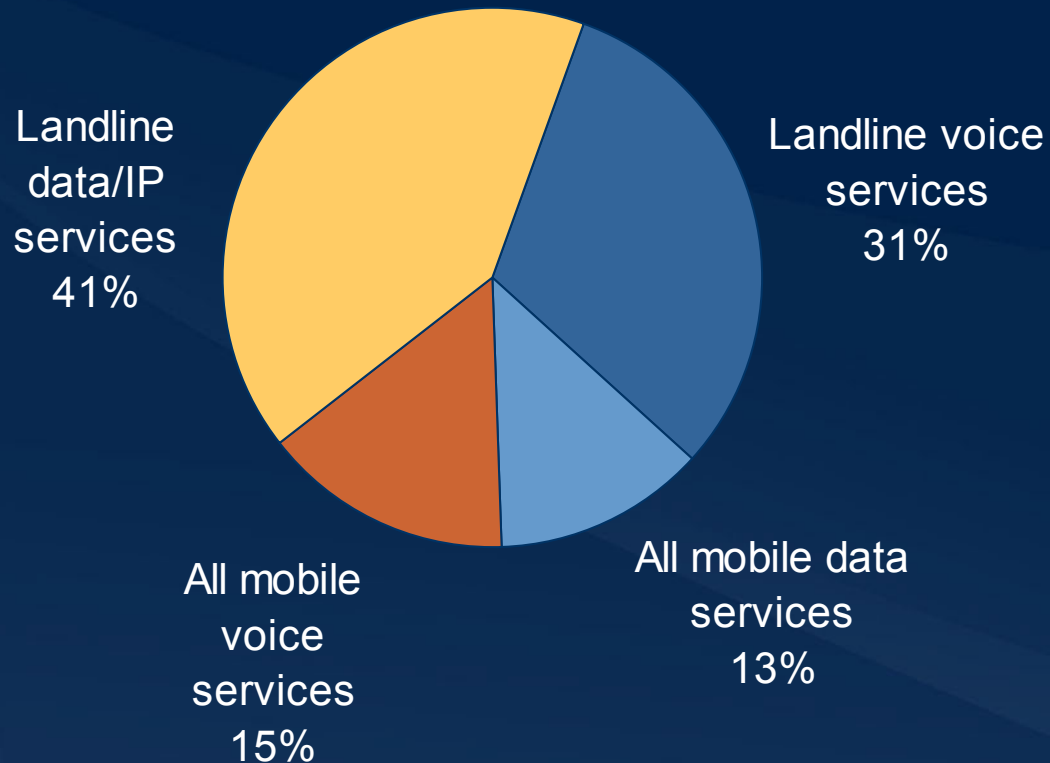
Lisa Pierce, Vice President

Why is TEIM Important?

- Baselining

  - » Valid inventory

  - » Appropriate asset utilization

  - » Very important when switching services or providers

- Big Picture – link to other company systems and processes

- Correct billing errors

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What has and hasn't changed?

- Has changed since 2005 –

  » More M&As/partnerships, especially between landline and wireless TEIM suppliers

  » Growing emphasis on international

  » Almost no pure-plays

- Hasn't changed –

  » Numerous, small, privately held companies

  » Lots of industry hyper-competitiveness/volatility

  » Rampant scope creep

  » Most vendor claims re: differentiation aren't very meaningful

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Look at TEIM Suppliers with Both Landline and Wireless Capabilities

Landline data/IP services
41%

Landline voice services
31%

All mobile voice services
15%

All mobile data services
13%

Telecom services budget composition of 320 North American enterprises

Source: Enterprise Network And Telecommunications Survey, North America And Europe, Q1 2007

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TEIM Supplier Overview (1)

Company name	TEIM Category*	Year Founded	Years in TEIM	VC Backed?	Product of M&A	Total Employees	Estimated Revenue Growth Rate, 2006 - 2008₸
Amtel	ASP	2002	6	No	No	20	250%
Advantage IQ	Professional Services	1995	7	No	No	501	87%
AnchorPoint	BPO/License	1984	5	No	No	45	33%
Asentinel	License	2002	6	No	No	25	45%
BroadSource	SaaS	2000	8	No	No	22	70%
ICOMM Consulting	Professional Services	1987	21	No	No	23	62%
Information Strategies Group	BPO	1995	13	No	Yes	157	2%
Invoice Insight	SaaS	2000	8	Yes	Yes	65	43%
MBG	ASP	1991	16	No	No	52	29%
PAETEC	License	1992	16	No	Yes	107	33%

Source: Supplier information

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TEIM Supplier Overview (2)

Company name	TEIM Category*	Year Founded	Years in TEIM	VC Backed?	Product of M&A	Total Employees	Estimated Revenue Growth Rate, 2006 - 2008Ŧ
ProfitLine	BPO	1992	16	Yes	Yes	196	44%
Quickcomm SW Solutions	Software	1997	11	Yes	No	57	281%
Rivermine	Software	2001	12	Yes	No	108	100%
Symphony SMS	Software	2002	17	Yes	Yes	220	18%
Tangoe	License	2000	8	Yes	Yes	190	148%
Telesoft	License	1982	25	No	No	88	7%
Telwares	Professional Services/BPO	1986	22	Yes	Yes§	257	-10%
TnT Expense Management	Sourcing/BPO	2000	9	No	No	80	111%

*Based on largest source of revenue in fiscal year 2007

Ŧ2006 – 2008 revenue comparisons include revenues from companies both pre-M&A and combined company post M&A (where M&As in the two-year period have occurred).

§ Is deploying Quickcomm software and retiring its own

Source: Supplier information

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TEIM Suppliers – Largest Sources of Revenue (1)

Company Name	Largest Source of Revenue	2nd Largest Source of Revenue	3rd Largest Source of Revenue
Amtel	ASP	Projects	N/A
Advantage IQ	BPO	Projects	N/A
AnchorPoint	BPO	Software license	Maintenance
Asentinel	Maintenance and implementation	Software license	SaaS
BroadSource	SaaS	Projects	Other
ICOMM Consulting	BPO	Projects	N/A
Information Strategies Group	BPO	Call accounting/ chargeback	Carrier revenue assurance
Invoice Insight	SaaS	BPO	Projects
MBG	ASP	BPO	Call accounting/ chargeback

Source: Supplier information

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TEIM Suppliers – Largest Sources of Revenue (2)

Company Name	Largest Source of Revenue	2nd Largest Source of Revenue	3rd Largest Source of Revenue
PAETEC	BPO/call accounting/ chargeback/projects	ASP	Software license
ProfitLine	BPO	Resale of wireless access	Projects
Quickcomm SW Solutions	Software license	ASP	Projects
Rivermine	BPO	Projects	Software license
Symphony SMS	Software license	BPO	ASP
Tangoe	BPO	Projects	Maintenance
Telesoft	Software license	ASP	Projects
Telwares	Projects	BPO	Call accounting/ chargeback
TnT Expense Management	BPO	Projects	Software license/ channel partners

Source: Supplier information

8

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Sources of Billing Errors –
Pay Attention to the Detail in Bill Detail

Billing
component
32%

Working
telephone
number
44%

Billing
telephone
number and
higher
24%
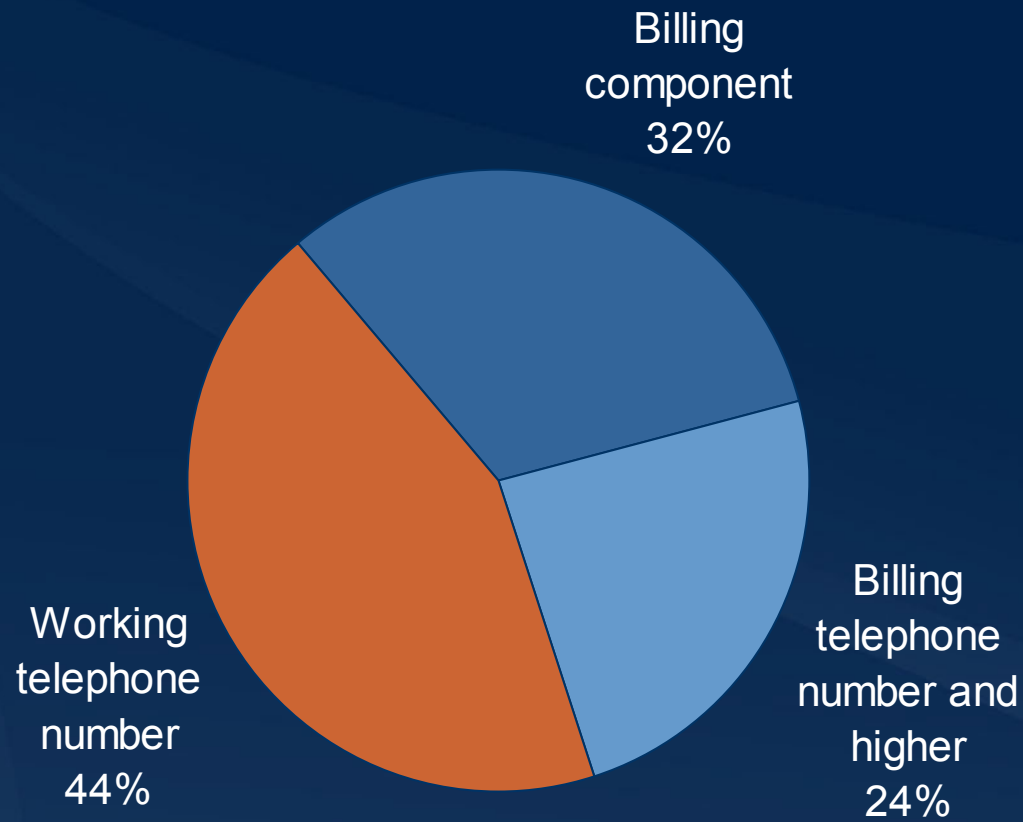
Source: TnT Expense Management company information

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TEIM Suppliers – Misc. Info (1)

Company Name	Industry association	Offshore any TEIM development, invoice loading, or processing	Outsource any TEIM development, invoice loading, or processing	Indirect channel sales
Amtel	None	No	No	10%
Advantage IQ	TEMIA	No	Minority of software development contracted	None
AnchorPoint	TEMIA	Invoice loading	No	2%
Asentinel	TEMIA	Software development	No	12%
BroadSource	TEMIA	Yes	Yes	46%
ICOMM Consulting	I-TEM	No	No	None
Information Strategies Group	TEMIA	No	No	12%
Invoice Insight	TEMIA	No	No	50%
MBG	TEMIA	No	No	15%

Source: Supplier information

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TEIM Suppliers – Misc. Info (2)

Company Name	Industry association	Offshore any TEIM development, invoice loading, or processing	Outsource any TEIM development, invoice loading, or processing	Indirect channel sales
PAETEC	TEMIA	No	No	<10%
ProfitLine	TEMIA	Yes	Yes	27%
Quickcomm SW Solutions	TEMIA	No	Very rarely	15%
Rivermine	TEMIA	Yes	Yes	15%
Symphony SMS	TEMIA	Yes	Very Little	12%
Tangoe	TEMIA	No	No	<10%
Telesoft	TEMIA	No	No	4%
Telwares	TEMIA	No	No	None
TnT Expense Management	I-TEM, TEMIA	No	Some development and programming	<1%

Source: Supplier information

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TEIM Supplier Attempts to Differentiate (1)

Company name	Insourced/outsourced
Amtel	Everything in-house
Advantage IQ	Most work done in-house: outsource ordering/provisioning, telco service optimization, wireless store and help desk
AnchorPoint	Most work done in-house: outsource sourcing (RFP creation and provider negotiation) and device management help desk
Asentinel	Everything in-house
BroadSource	3rd-party partnership back office and device management
ICOMM Consulting	Outsourced voice support services for multi-site clients and clients with call centers
Information Strategies Group	All services are performed in-house provided in the United States
Invoice Insight	All provided in-house except physical fulfillment and help desk
MBG	Partners with mindWireless for sourcing and telecom services optimization

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TEIM Supplier Attempts to Differentiate (2)

Company name	Insourced/outsourced
PAETEC	Everything done in-house except device management currently under development.
ProfitLine	Everything in-house
Quickcomm SW Solutions	All in-house except for wireless sourcing
Rivermine	All in-house except for wireless help desk
Symphony SMS	Everything in-house with marginal 3rd-party support for telecom service optimization
Tangoe	In-house except for partial outsourcing of help desk
Telesoft	Everything in-house
Telewares	Partner and in-house mix for ordering, provisioning and invoice management
TnT Expense Management	Everything in-house

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Evaluation Criteria for
Telecom Expense and Inventory Management Suppliers (1)

First-Order Evaluation Criteria	
Criteria	**Explanation**
Supplier Mode of Operation	Software license, Hosted/ASP, SaaS, Managed services/outsource
Core TEIM Activities	"Must haves"
Service scope	Wireline, wireless, domestic, international
Invoice loading (initial and ongoing)	Electronic feeds, CD-ROM, paper
Verifying bill accuracy	Attention to detail is key
Bill dispute and service credits	In bill cycle vs. out of bill cycle
Ongoing inventory verification	Simple vs. complex process
Report usability	Analytics and custom reports are critical
Interfaces to 3rd-party applications	ERP, IT asset management, others
Telecom and network equipment	PBXs, routers, phones
Supplier Stability	Key satisfaction criteria
Financial stability	Virtually all suppliers are privately held, many are VC-backed
Competitive stability	Highly competitive market – many M&As
Market stability	New entrants almost daily
Channel strategies	Immature, opportunistic

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Evaluation Criteria for
Telecom Expense and Inventory Management Suppliers (2)

Second-Order Evaluation Criteria	
Criteria	**Explanation**
Competency	Once you've answered the first set of questions, this becomes important
Scalability	Many of these vendors are very small
Track record	Must verify with references that fit your particular circumstances
User groups and vendor associations	I-TEM and TEMIA are very new vendor associations; 2 User groups exist
Future enhancements	No supplier has this market covered perfectly – they are all expanding their offers and capabilities
Flexibility	You'll need it – everyone requires customized reports, customized accounting structures. How much will it cost?
Security	Some suppliers outsource more day-to-day functions than others – sometimes they offshore work
Ancillary Functions	Importance of these items varies by customer
Telecom carrier bill payment	Some customers want, some suppliers do this – they'll want an escrow
One-time or physical audits	TEIM outsourcers do most often; all outsource physical inventory
Call accounting/chargeback	PBX-based call accounting has several advantages for hybrid calls; specify chargeback methodology to see if TEIM supplier has already done or it is something it says it 'can do'
Mobile device management	With limited exception, all TEIM companies outsource this work

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Evaluation Criteria for
Telecom Expense and Inventory Management Suppliers (3)

Second-Order Evaluation Criteria, continued	
Criteria	**Explanation**
Adjunct Functionality	We consider these items to be scope creep – consider other suppliers
Sourcing (RFP)	#1 source of revenue of Telwares; #2 for Avotus
Provider negotiation	Never outsource actual negotiations
Price benchmarking	ASP, hosted and outsourced firms offer/plan to offer this – it costs a lot of money
Service "optimization"	Often outsourced because TEIM suppliers limit meaning of "optimize" and/or lack technical competency
New service architecture/migration	Typically outsourced because TEIM suppliers lack technical competency, lack access to vendor/provider line of business and R&D heads

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Other Considerations

- Enterprise experience with TEIM vendors

- Relationships between TEIM vendors and service providers

  » Revenue relationships

  » "Special" NDAs

- Vendor ethics

- Three-year industry outlook

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The TEIM Industry
is Heading for Major Structural Change

- TEIM industry is highly volatile – has gone through several rounds of consolidation

  » Too many vendors

  » Too little differentiation

- Many outsourcers, consultancies use or re-package TEIM functionality. Even some carriers use these capabilities.

- TEIM is an extreme example of IT asset management – and many companies lack good IT asset management practices

- And so, we think TEIM companies will be absorbed by:

  » Outsourcers (IBM, EDS, CSC…)

  » Major software vendors like Oracle, SAP, Ariba, etc.

  » Possibly major SIs (such as Accenture…..)

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Thank you

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