

[The Skeptical CIO: Telecom Savings Non-Existent!](#)

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In most situations, I would argue that a skilled sourcing professional can effectively source anything with a little bit of research and by following a prescribed strategic sourcing process. However, the highly complex and regulated Telecom industry is one notable exception. The following case study authored by Tom Thompson, 35 year telecom veteran, demonstrates the value of applying deep commodity expertise to this challenging spend category. A highly skilled resource not only delivers maximum savings, but also leverages technical knowledge to deliver a best available solution in record time!

After a kickoff meeting with the CIO of a large cable and wire manufacturing company, we were reluctantly given an opportunity to evaluate the client's telecom infrastructure. The CIO thought the effort would be in vain, but felt comfortable in agreeing to a performance-based fee structure; no results, no compensation.

Company Situation And Challenges

Multiple but low margin products; sustained sales challenges; low profitability; high and unstable material prices; high costs of production; exposure to client base; uncertainty whether multiple telecom supplier rates were competitive; telecom contract language biased towards supplier; skeptical of further telecom reductions. A prime candidate for Bottom Line Impact.

Actions And Recommendations

In assuming project leadership and in very short turnaround, the consultant-led team generated a comprehensive request for proposal emphasizing critical-to-quality (CTQ) measurements. The consultancy completed a detailed analysis of all ten (10) submitted

supplier proposals and developed a comprehensive evaluation matrix with ranking of pricing coupled with all CTQ's. Total Cost of Ownership was viewed as critical. As a result of further negotiations with four finalist suppliers, and a detailed cost analysis of incremental unit pricing along with tax and Telecom Act of 1996 fees reductions, the consultancy recommended separate carrier voice and data networking solutions. A win-win for both the client and its suppliers.

Project Results; Success Story

The incumbent data networking supplier reduced existing costs by 25%, thus precluding all network conversions. As dictated by business needs, the client was then positioned to upgrade to new technologies. The client implemented a new voice solution from a technology leader thereby affording both fiber optic transport and switching at substantial cost reductions. Further, the client continues to enjoy multiple contractual concessions, both regulatory and business specific. Examples: fixed and very aggressive pricing guaranteed for three years, world-class access pricing, expanded payment terms, PICC waiver for 250 switched services all of which were offered under a one year term; 3 for 1.

Exceeded Expectations:

The "skeptical" client enjoyed an annual 37% overall reduction in voice and data networking costs.

Tom Thompson

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