

Inventory Analysis: How to Keep Shop and Stay on Top

By David A. Solberg, J.D., C.P.A., Solberg/Adams LLC



Mr. David Solberg

Organizing and maintaining a detailed inventory of telecommunications services might seem less than exciting. But keeping a good handle on those services can help add significant dollars to your organization's bottom line.

Telecom represents one of the highest areas of expense for many organizations, particularly in the hospitality industry. Over the last few years, managing those expenses has become more complex. Telecom services can include local trunks, long distance, data circuits, internet access, audio conferencing, video conferencing, voice over the internet, cell phones, pagers and other wireless devices.

Knowing exactly what services you have, how they are used and by whom, is essential for several reasons. Included are cost management and accurate budgeting, understanding service options, evaluating competitive vendor proposals, managing term contracts and being prepared with a disaster plan for possible service outages.

Cost Management/Budgeting

It is impossible to accurately budget for telecom services and manage those expenses without a good inventory. First, care should be taken by accounts payable personnel to accurately allocate costs to appropriate internal accounting codes so you know the true costs of various telecom services. However, many accounting systems often do not provide enough of a breakdown of expenses to give you the tools to prepare meaningful budgets. Many systems simply "lump" the costs into general G&A account code categories. Investigate whether it's possible to establish more detailed sub-accounts so expenses can be categorized by types of service and/or the physical locations of those expenses, especially if there are multiple locations to manage. If the accounting system has limited flexibility, it might behoove you to get a copy of all monthly invoices and maintain an inventory of expenses contained in those invoices.

Understanding Service Options

Depending on where your business is located, you may have multiple options for voice, data and wireless services. Rural areas obviously have fewer options. Maintaining a detailed inventory of services makes it easier for you to investigate which options are available for the services you need. Also keep a list of alternative vendors who are able to provide competitive services.

Evaluating Competitive Vendor Proposals

Anyone who manages telecom expenses is well-aware of the myriad of calls and correspondence from vendors wanting you to change services. They often present analyses of the superior ROI's (Returns on Investment) their service can provide. If you understand precisely what services currently are in inventory, know the costs of those services, and their terms and conditions, you are in a position to accurately assess competitive claims. Too many telecom managers are lured to new vendors simply because they really don't have a good handle on the true costs of the existing services as compared to competitive services. If you maintain an accurate inventory of the costs of your local lines, your long distance and data transmissions, your wireless transmissions, as well as the costs of the devices connected to them, you then can accurately assess the claims of competitive service providers.

Managing telecom contracts

A critical part of maintaining an inventory of services is to prepare a synopsis of key provisions of every contract pertaining to your telecom expenses. Summarize all relevant dates; the effective dates, lengths of term commitments, and the expiration dates. Many contracts automatically renew for an additional term unless you give notice to terminate by a certain date. Understand the important terms and conditions. Do

the contracts contain exclusivity clauses, minimum commitment clauses, or service level agreements? Be aware of penalty provisions. How much will it cost if you terminate early, or fail to meet some sub-minimum requirement? If you have this information summarized and readily available, you can then make informed decisions about whether and when to renew with current vendors, or to entertain proposals from competitive providers.

Disaster Planning

Unfortunately, service outages do happen. Nothing can be more frustrating than reporting a problem to the local carrier, hear them say the problem is with the hardware, have the hardware vendor point the blame at a nameless circuit provider at some remote location, etc. If you maintain a good inventory of all your telecom services, including local trunks, their phone numbers, physical locations, circuit ID numbers, and emergency contact information for all related service providers, it can help reduce the time of service outages.

What information should the inventory include?

In addition to information discussed above, the inventory also should show precise locations of the services, the corresponding invoice numbers, and the names and locations of employees using wireless devices. You also can request copies of "Customer Service Records" from the telecom providers. These contain all the detailed information the service providers have in their database pertaining to your accounts with them.

Finally, businesses that maintain detailed inventories of telecom services definitely are able to manage expenses more effectively and cost-efficiently than their less-organized counterparts. A growing number of companies now outsource total management of telecom expenses to independent telecom consulting firms, who maintain detailed inventories as part of their monthly service.

David Solberg is Founder of Solberg/Adams, an independent telecommunications cost consulting firm. Mr. Solberg has spent his entire career as a "cost-reduction" expert," helping both businesses and individuals reduce expenses and improve profitability. In 1993, Mr. Solberg founded Solberg/Adams LLC, a telecommunications cost consulting firm, to audit telecommunications expenses for savings and refunds. The firm is comprised of professionals with telecommunications and engineering backgrounds, as well as professionals with legal and accounting backgrounds. Solberg/Adams also offers an outsourced telecommunications invoice payment service, in which they directly receive their clients' invoices, audit them for savings and refunds, dispute and resolve billing errors, approve the invoices, allocate the expenses to clients' GL codes, pay the bills, and provide detailed monthly reports generated by their proprietary software. Over the last 12 years, they have reduced costs by millions of dollars for hundreds of clients, including Fortune 500 companies. Mr. Solberg can be contacted at 503-292-3131, or at solbergd@solbergadams.com

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