



Why ICOMM Consulting Does Not Do Contingency Fee-Based Projects

When ICOMM is engaged by a client to do a telecom services Request for Proposals (RFP), to negotiate a contract renewal, or to conduct a cost-reduction audit and provide ongoing Telecom Expense Management services, we structure our costs to be based upon a project fee, which in essence is the estimated number of hours the project will take at hourly rates for our various consultants and analysts who will work on the project. We have never based our fees around a savings contingency fee, or a shared savings fee. We feel strongly that performing these services for a project fee enables us to focus solely on what is best for our client. This is the same reason that we are not an agent for carriers – we have no motivation other than to help select what is truly best for our client.

A telecom manager who had recently left a client's organization for a new job with a smaller company called us recently to share a story about an telecom services RFP project; their voice and data services contracts were coming up for renewal, and he suggested that his company utilize ICOMM to conduct an RFP and contract negotiation. When he brought this idea to the CIO, the CIO listened to our experience in not only creating and reviewing RFPs, but also with our real-world experience of supporting the chosen platforms and services that we help our clients select. He was interested, but "preferred" to use a company that does these projects on contingency, and had worked with such a company in the past, so instead they engaged a contingency fee-based consultancy to create the RFP and to perform the review of the responses, and to make a final recommendation based upon that review.

Out of the review, the lowest-cost provider whom they recommended was a struggling CLEC. Well, why not: the deeper the savings, the more the consultancy would pocket on the engagement. And this consultancy isn't an agent or reseller, they are an independent telecommunications consultancy that performs both contract negotiations and some amount of Telecom Expense Management. When asked to provide feedback on their experience using the CLEC, they said that they didn't have much real-world knowledge of the carrier, but that they had "heard" good things, and that in a number of other RFPs this year, their clients had selected this particular CLEC and were very happy with the savings (and we imagine that the consultancy was happy with the contingency fee).

The Telecom Manager told us that three disappointing things happened from this point:

1. When asked to more fully document the savings outlined in the RFP results, including more complex comparisons like Local voice usage comparisons, the consultancy said that that level of detail wasn't really in-scope.
2. When asked to verify that the local contracts that the client already have in place wouldn't be affected by moving to this CLEC, the consultancy also said that that wasn't in scope, and that if there would be terminations penalties, that wouldn't affect their fee.
3. When asked to put together a comprehensive executive overview of the RFP findings, so that the Telecom Manager could articulate the benefits of the CLEC contract to his executives, they told him that that was his responsibility, and therefore also out of scope!



After telling us about these three things, he lamented that he hadn't been able to use ICOMM's services, and that he felt like ICOMM had spoiled him in our past engagements with him, because he knew that he wouldn't have even had to ask us to perform these things, we would have simply done them as part of ANY contract review.

A few other things about the recommendation to use this particular CLEC: The client has less than twenty sites around the US, connected today by a legacy Frame-Relay network. The RFP included moving those services to MPLS. Gartner isn't always the best source of information on the viability of technology providers, but there are some areas of technology where there isn't much debate about things and in those scenarios, their research is quite useful. One of those areas is "Network Service Providers" (NSPs), those companies who offer WAN services. If you are not familiar with Gartner's Magic Quadrant tool, it's a four square chart that ranks a providers ability to execute on the vertical axis, and the completeness of their vision (niche to visionary) on the horizontal axis. In the May 2006 NSP Magic Quadrant for US locations, the CLEC in question is in the lower left quadrant. Not exactly a glowing recommendation.

So, you might say that well, this chart is from 2006, and a lot of stuff may have changed since then. Well yes, that's correct. In the last two Magic Quadrants, the CLEC hasn't even been LISTED! This, at best, means that they are a "niche" player that's having an inability to execute, to use Gartner's own methodology. It may very well be the case that the CLEC will be able to put in a decent voice-and-data network for the client. But because of the consultant's clear bias towards the cheapest solution, we feel that they have made some very bad decisions:

1. 100% of all voice and data services (local voice, LD voice, MPLS and Internet) will be with ONE carrier.
2. This CLEC's MPLS network is not very robust, and the CLEC isn't known for superior service.
3. The CLEC has had problems implementing contract rates, and resolving billing disputes and neither of those things will affect the Consultancy's fee, as it's based upon expected rather than actual savings!

Independence is something we talk about at ICOMM quite a bit. But we are more convinced than ever that independence has to include not just who a consultancy receives revenue from, but also how that consultancy receives revenue. We always stress that, whomever an enterprise chooses to do any telecom services cost reduction work, it is essential to verify that they don't have a bias in the exercise, other than what is truly BEST for the client. This is the core of the ICOMM business model and our ethics, and it's something that we feel differentiates us from other telecom consultancies in a very compelling manner.

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