E-book:

Why Retailers Need a Mobile Phone Activation Audit

PRGX®

Contents

Overview

The sale and activation of mobile devices is expected to remain strong for the foreseeable future. The development of new technology like 5G and Internet of Things (IoT) devices will multiply the activation volume on carrier networks.

With the increase of new technology and contracts with new mobile phone market competitors comes opportunities for retailers to improve their source-to-pay (S2P) process.

In this e-book, *Why Retailers Need a Mobile Phone Activation Audit,* we provide an overview of how a mobile phone activation audit can be a critical best practice for retailers with a laser focus on identifying recoveries and plugging holes in existing systems and procedures. We will explore:

- Smartphone trend and technology changes impacting retailers' activation commissions
- How a proactive audit approach can help retailers meet the needs of the evolving technology landscape and improve relationships with their suppliers
- The activation audit review process

Today's Telecom Industry

With such a diverse array of technology available to consumers across the globe, it's no wonder that retailers have experienced increased sales for telecom industry products. From smartphones to fitness trackers, the possibilities are seemingly endless for consumers looking for technology that will help them remain connected.

Three technologies that can impact retailer's activation commissions include smartphones, IoT devices and other emerging technologies.

Smartphones

Prior to the impact of COVID-19, telecom industry companies reaped the benefits of an increasing smartphone market. In 2018, the smartphone market was steadily on the rise with the advent of evolving smartphone technologies. And according to a February 2020 study by Statista smartphones had a market penetration of 81% in the U.S. and 76% in the U.K.[1]

As we approach the saturation point, most prominently in 2020, the number of expected additional smartphone users each year is still several million. As technology evolves and better equipment is developed, users regularly upgrade their devices, which leads to opportunities for earned commissions for retailers

[1]*Statistica 2020: https://www.statista. com/statistics/201183/forecast-of-smartphone-penetration-in-the-us/*

Internet of Things

The rise of the Internet of Things (IoT) – the interconnection of computing devices embedded in everyday objects, enabling them to send and receive data via the Internet – has transformed the way consumers work, consume media and even exercise. The introduction of IoT connected devices are designed to make life easier for consumers by giving them the ability to control simple actions like adjusting the temperature at night via a smartphone app.

Retailers have experienced an increased demand from those looking to upgrade to a "smarter" home as the demand for smart appliances, lightbulbs and thermostats continues to increase.

According to Pew Research, roughly one in five U.S. adult consumers wear a smartwatch or fitness tracker.

For retailers, the IoT means big business and even bigger opportunity that isn't just limited to traditional telecom devices. The continued growth of demand for connected devices, along with the introduction of new wearables and devices, means increased revenue – and with that, the possibility of what could evolve into a finance nightmare for procurement and merchandising leaders.

Internet of Things

Emerging technologies like 5G fixed wireless and satellite internet are new in the telecom industry. For consumers, internet speed and reliability are key factors in choosing a service provider. Fifth generation, or 5G, is touted as the newest advancement in cell phone technology where users can experience a faster, more secure, and more responsive data transfer process and the ability to connect multiple devices at once with ease.

> **Every second, another 127 devices are connected to the internet.**
> **– Statista 2020 Research**

To date, many of the major US cell phone carriers have launched some form of 5G network, but many are still working through the common challenges that accompany any technological shift for cellular networks including speed, reliability and coverage.

According to the Deloitte Technology Media and Telecommunications industry practice, as fixed wireless options are showing improvement, retailers and service providers alike are seeing increased competition in the market. Additionally, companies are developing small, low-orbit satellites that may be able to deliver high-performance broadband anywhere on Earth.

The introduction of such technologies into the marketplace provides more options for consumers and, with the expectation that 5G will become the standard, users will eventually need to purchase new devices equipped with the technology needed to utilize 5G wireless.

Taking a Proactive Audit Approach

The combination of smartphones, the IoT and other technologies place retailers in an interesting position – one where they must work to meet consumer demand but also ensure that their S2P process is operating efficiently. By taking a proactive approach to the audit process, retailers are able to get supplier contracts up-to-date to meet the needs of the evolving technology landscape.

This approach helps companies focus on their learnings gathered from the new shift and help improve the contract language – ensuring both parties understand contracts in the same way. Additionally, by adjusting reporting and other key pieces accordingly, retailers can work to improve their relationships with suppliers.

One best practice for retailers looking to ensure contracts with mobile phone suppliers comply with the agreed-upon terms and conditions is to conduct a mobile phone activation audit, a product-specific variation of a contract compliance audit.

Traditionally, contract compliance audits focus on recoveries and identifying the most effective ways to stop leaks across the S2P process. A proactive mobile phone activation audit takes the traditional approach a step further by using the learnings from the audit to get contracts up-to-speed. In many cases, an experienced audit provider will help retailers improve contract language and ensure that both the retailer and supplier understand contracts the same way. Additionally, this audit approach provides retailers with the opportunity to adjust reporting and other key pieces in the contracting process accordingly to best suit the relationship.

Benefits of a contract compliance program:

- ✓ Improve visibility into existing contracts
- ✓ Drive greater on-contract (i.e. compliant) spend
- ✓ Increase supplier-side contract compliance and adherence to SLAs
- ✓ Reduce savings leakage

The Activation Audit Review Process

An experienced audit provider will outline the process for conducting a mobile phone activation audit. While an audit is tailored for each client – some audits are conducted onsite, some are conducted remotely and others are a combination of the two – the overall goal of the process is the same.

The first step an audit provider will perform is to determine if there is an opportunity for you to recover any funds based on your current S2P process. This typically begins with sharing annual receivables volumes by carrier, along with contracts with each carrier. This information will help determine if appropriate audit rights and receivable volume levels exist to perform a successful activation audit.

During the contract review, the audit provider will determine the audit scope, the data needed for the audit, identify any additional contracts needed, and note any improvements that may be needed to existing audit rights language.

01

Step 1

Data Acquisition & Processing

02

Step 2

Data Analysis & Report of Preliminary Findings

03

Step 3

On-site Review & Final Report Preparation

(Remote testing option available while Covid 19 travel and work restrictions in effect)

04

Step 4

Report Presentation & Settlement

An Opportunity for Retailers

In the world of audit, audit providers typically refer to the levels of spend relative to recovery opportunities. The greater the spend, the greater the potential for the recovery of errors associated with that spend.

For activation audits, the opportunity for retailers involves the review of commissions due resulting from the activation transactions. These opportunities are created when retailers sell devices such as mobile phones, tablets and smart watches to consumers. When these devices are activated on carrier networks, a payment or commission is due to the retailer for making the sale connecting the subscriber to the carrier.

There are many variables involved with the purchase of these kinds of devices, including a host of manufacturers and carriers to choose from, with both pre-paid and post-paid offerings. The combination of these variables often results in errors that can occur throughout the sales process which can mean loss of commissions that were rightfully earned.

Leakage throughout these transactions occurs for many reasons. Errors are to be expected any time there are multiple systems talking to each other in real time, during complex transactions, which also involves manual intervention. However, there are two main reasons why there is an opportunity and why it is so important to consider an activation audit:

1 Transactions do not end at the point of sale. In fact, the commission is not considered earned until approximately 30 days, or more, after the device is activated. Subscribers must remain active on the carrier's network for a predetermined vesting period for the retailer to earn a commission. It is not uncommon during the vesting period for subscribers to change their minds about the purchase and call customer service to swap devices or make changes to their plans. During these calls, the customer service representatives may sometimes make a change that disconnects the link between the retailer and the subscriber. This can result in the retailer not being paid the commission they have rightfully earned.

2 Carriers themselves maintain what they consider the "system of record." The information used to determine if a transaction has earned a commission is stored within the carrier's systems. Many times, the information is keyed into customer service notes or other freeform comment fields, so the data is not normalized data, like an invoice number, date, or amount, and it doesn't lend itself well to desktop audit routines that isolate payment exceptions and produce a claim for commission payment. Accessing the data in the carrier's live system is a requirement for an effective activation audit.

Observations

Recommendations

Continued Industry Growth

The sale and activation of mobile devices is going to remain strong for the foreseeable future. In addition, with further development of 5G technology, an increasing number of IoT devices with be activating on carrier networks. This combination will result in larger receivables volumes for many years to come.
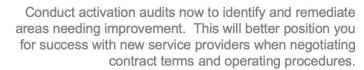
New Service Providers

As a result of new connectivity technologies, such as 5G fixed wireless and satellite internet, contracts with new market competitors will be negotiated in the near future.
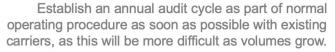
Perform Activation Audits

Conduct activation audits now to identify and remediate areas needing improvement. This will better position you for success with new service providers when negotiating contract terms and operating procedures.

Completing an activation audit with each carrier now will generate evidence you can use to make a strong case for implementing increased transparency and a regular annual audit cycle.

Annual Audit Cycle

Establish an annual audit cycle as part of normal operating procedure as soon as possible with existing carriers, as this will be more difficult as volumes grow.

Establish these standards and expectations in the initial contract with new carriers. It is much easier than trying to amend the contract later. Fresh transactions are easier to correct and collect.

Summary

Now is the time for retailers to consider implementing a mobile phone activation audit. An activation audit provides companies with a proactive approach for improving their contract language and supplier relationships

.

Through an activation audit with an experienced audit provider, retailers can identify the best processes for recovering funds and preventing leakage across the S2P process. By adopting a proactive approach, retailers can implement positive changes that will not only make an impact on how they conduct their business but how the retail industry conducts business overall.

About PRGX

PRGX helps companies spot value in their source-to-pay processes that traditional approaches simply can't. Having identified more than 300 common points of leakage, we help companies dig deeper and act faster to get more out of their recovery audits.

We pioneered the industry 50 years ago, and today we help clients in more than 30 countries take back US$1.2 billion in annual cash flow each year.

It's why 75% of top global retailers and a third of the largest companies in the Fortune 500 rely on us.

For more information, please visit www.prgx.com.

PRGX®

888-799-7976   ◆   marketing@prgx.com   ◆   prgx.com
600 Galleria Parkway, #100 Atlanta, GA 30339