

## Reducing Long Distance and Telephone Costs

This CU's initiative saves it \$26,000 a year

By Paul Armstrong

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In 2007, our credit union began weighing our options concerning telephone systems and services. We had not made much progress on this initiative when the economic downturn really took hold in early 2008, but the downturn revealed an urgent need for us to do something in this area of our operations. We were paying about \$4,000 each month for long-distance service for our three offices (billed by three different providers) and audio-response system combined, so we knew this was an area where we could possibly save money, if we could just figure out how and where.

Our earlier attempts to decipher our telephone billings and systems had come to very few conclusions, except the fact that the telephone business is quite possibly the most jargon- and acronym-ridden industry on the planet! We could not carry on a normal conversation with any vendors, simply because we spent a large portion of our time asking what various terms meant.

When it became apparent that we simply couldn't understand the jargon on our own, we made the decision to hire outside professionals to help us upgrade our services. We were lucky enough to find a local husband/wife team who had both retired early from a major phone system and formed a consulting group, [Communications Consulting Services](#), Caledonia, Miss., to help small businesses evaluate phone services and systems.

Their approach consisted of four phases: 1) evaluate our current phone systems and service; 2) create a request for proposal that would create a new system and service more suited to our operation, 3) meet with respondents to discuss proposals and, finally, 4) select the best of the options available and implement it.

The evaluation phase was the biggest eye-opener. We were being billed for some 30,000 long distance minutes a month at 6 cents a minute, along with local service on 26 lines. We found quite a number of lines no longer being used, such as old modem lines, fax numbers, etc. Each of these lines carried a monthly charge, whether or not anything went through it, so we were basically paying for dead air. We also had three aging phone systems that were reaching the end of their usefulness. In addition, our in-house PC-based audio-response system was old enough that it was no longer covered by the manufacturer's maintenance; literally a train wreck waiting to happen!

We also found that, over time, different offices or lines had been switched to other vendors. We'd either responded to an e-mail or a phone call offering an improved deal, thinking it was from our phone company representative. The phone service market is an

extremely competitive one, and some practices border on being deceptive, we discovered.

The first decision was to move the audio-response system back to our data processor's site. Considering the costs of buying a new PC and software of about \$25,000 plus yearly maintenance vs. taking it back to the processor, the idea of moving it back to the processor's operation made more economic sense, as well as giving us better backup for disaster recovery.

Our consultants narrowed the proposal respondents to four companies for replacement of our three office phone systems, along with local and long distance service. When we talked with the four, two of them fairly quickly came to the top of our decision process, since they appeared to be more suited to smaller business systems. After gathering a bit more information from these two vendors, we made our decision, with the help of our consultants.

All of our deliberations and decision-making took more than a year, counting the time we tried to work on our own and the time we spent with the consultants. In the end, though, we wound up with three new phone systems from [NEC](#) (all with the same type of phones and services), 5,000 free minutes of long-distance each month, and a much lower long-distance rate of only 2 cents a minute after the initial 5,000 minutes!

Our bill has gone from over \$4,000 to less than \$1,800 a month -- a savings of about \$26,000 a year, and a most welcome addition to our bottom line! In addition, we now have one service provider, [DeltaCom](#), making it much easier to get changes made and problems corrected than it was previously.

We now use only 18 lines instead of 26 in our main office, with similar reductions in our smaller branch offices. We paid \$6,000 for the consultant's fees, an investment that's clearly paying off.

We've been on the new systems for about a year now, and, although there have been a few minor glitches (such as a particular line not getting switched over from the old carrier or a particular feature not getting programmed into a new system), along with some continued misunderstanding of the jargon (can you define PRI, VoIP and ACD?!), we're more than happy with our decisions.

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