Todd:
Welcome to another edition of From the Front Lines, where we discuss both the day-to-day, and one-of-a-kind issues facing real estate managers. In this episode, Adam Baker from Schooley Mitchell joins us to talk about containing telecom expenses, including ways to reduce current costs and how to avoid future costs. Welcome to the podcast, Adam.

Adam:
Thanks for having me, Todd. Looking forward to the discussion.

Todd:
Can you first introduce yourself and Schooley Mitchell?

Adam:
Yeah, absolutely. So, Adam Baker, I'm a strategic partner with Schooley Mitchell. Schooley Mitchell is North America's largest independent cost reduction consulting firm. We've got about 200 locations across the United States and about 150 analysts. We originally started focusing primarily on telecom in the 90s, and now we consult on 15 different expense categories, including waste, office supplies, cleaning supplies, fuel. For me, personally, I've been in the cost containment world for almost two decades. In the 2000s, I was a military officer, and believe it or not, the government is interested in saving money. I was tasked with helping to reduce the cost of the war-fighting effort in Iraq. So we wanted to reduce the cost without decreasing our war-fighting effectiveness. After leaving the service, I joined the corporate world, ultimately leading the metrics and performance improvement division as part of one of the largest utilities in the United States, and then I was invited to join Schooley Mitchell, I essentially went from being the bad guy in utilities trying to take the money to finding ways to keep the utilities from taking profit away from my clients. So I found myself working with a lot of property management firms, just because what we do touches a lot of what they're working on. And so it's been a fruitful experience for everyone.

Todd:
Now can you give us an overview of what's happening in the telecom industry that might impact building infrastructure and communications networks?

Adam:
Yeah, so telecom is in a really interesting spot right now, because there's this convergence of, you've got new technology, a receptive market, and then you've got kind of government legislation under it. Now I'll just kind of briefly touch on them. New technology standpoint, we all hear about the 5G that's going to give us faster speeds in the lower latency. And then we hear about the

Internet of Things. So we've got a lot of that being implemented, which is enabling smarter buildings, the connected sensors and systems, and then the cloud-based communication platforms are also becoming more prevalent, so it offers more scalable solutions that are easily adaptable to the needs of property management firms. So that's your technology. On the market side, Covid was really, really impactful to telecom, because obviously having to be separated, telecommunications was critical. And so what happened was the marketplace became a lot more receptive to these new technologies. And so the shift has made businesses more open to investing and upgrading their telecom systems. And then, from a legislative perspective, the FCC recently removed the mandate to maintain copper lines. Copper lines are the way things used to be done, and they've recently said, hey, you know, if you are a vendor and you maintain copper lines, you no longer have to do that. And copper lines are important because, well, that used to be our phone line system, but a lot of systems are still run off that, like elevators, alarms. So this is good and bad, right? The bad, if you have copper lines and there's a failure, your provider can now say they no longer service it, and you're in a bind. The benefit is those copper lines are actually really expensive every month compared to new technology, so this is going to help motivate, traditionally late adopters to do something that's actually in their best financial interest anyway. So you've kind of got this interesting convergence going on in telecom.

Todd:
Where do the costs in telecom expenses often get out of control for property management firms and their properties?

Adam:
I'd say there's probably three main areas where those expenses can get out of control. The first one that we see is redundant services. And this is for a multitude of reasons, but invoices are just complicated and tough to read. And so a lot of times, when we do an analysis, we'll find our clients are paying two vendors for the same service. And so a great example is we find all the time is internet service providers. It happens, you know, those bills are complex. So when Accounts Payable is looking at the invoices from two different vendors for the same location the same service, the line items on the bill look very, very different. And so this discrepancy kind of makes it hard for them to identify that they've got duplicate services very easily. The second is inside the buildings: the copper lines we discussed earlier. So, many times, businesses, property management firms, they'll believe they've eliminated all those copper lines and the associated expenses because they switch to VoIP or a cloud-based phone system. But the things they miss are the fax lines, the alarm lines, the elevator lines. And those are costly. So for example, we uncovered one elevator copper line that was costing over $900 per month. And for property management firms, especially when you have all these bills, and you have larger bills, something like that can go uncovered for a while. So that's the other place. And then the third are the mobile devices and the plans they're on. And we'll see this a lot for their maintenance crews and their leadership. And this is really just about looking at consumption and optimizing plans. Will we either see everyone with a phone having an unlimited plan, but when you look at their usage, they're actually using very little. So it's kind of like going to an all-you-can-eat buffet, paying for that, eating a side salad. So you want to optimize that. Conversely, we'll find phones that aren't on unlimited plans, but they should be due to a higher data usage. So really, it's just getting the team to analyze the bills and the plans and adjust them accordingly. And you can find significant savings there.

Todd:
What are some strategies for cutting those costs in the short term?

Adam:
So, you know, I highly recommend an audit of the telecom expenses, either by hiring an expert, you know, it's a shameless plug, or leading the initiative yourself. You can chisel away a little bit yourself. For the DI wires, I give a tip. A way to think of this is, think of a triangle. And with the procurement leader, whether that's the procurement leader for your clients, or that's your procurement leader at the top, and then the bottom corner would be your accounts payable team. And in the other bottom corner, it's going to be one of your operations leaders. And what you need to do is you need to get those three people talking and in a room. You want to get them together and go through each telecom invoice, and what's going to happen is the procurement team has to bring the contract and say, "This is what I negotiated." Then the accounts payable person should look at the invoice and ensure it aligns with the contract, and they'll say, "Well, this is what we're paying for." And then what the operations person has to do is validate that what's being paid for is actually being used, right? This is what we're using. This will identify a lot of discrepancies and duplicated services. If you're managing accounts for your tenants and your clients, you can still do a contract-first bills assessment to get a rough idea. This approach not only helps you cut costs, but if you're doing it for your tenants and your clients, this is a distinctive value that you can provide to them to ensure that they're only paying for exactly what they need.

Todd:
And what about longer term? How can property managers future-proof their telecom services?

Adam:
Yeah, so this is where they'll definitely want to bring in an expert. We still need to do that analysis, right, because you want to have a good starting point and make sure you're not paying for things that aren't needed. But then they want to identify the best way to move forward, right? So on their own, I'd say the next time they think of an upgrade, one thing to consider is, do you really need that physical telephone on your desk? If you consider using soft phones, which are the applications that are cloud-hosted services, they can provide your team greater flexibility, they can reduce those hardware costs, and they're going to streamline your communications by really integrating with other digital tools. Another strategy is to invest in scalable future-proofing infrastructure. So this is going to be like switching to fiber optic connections, because it's going to give you the higher speeds, more reliable service compared to more traditional services. And then what this is going to do is this investment will accommodate future bandwidth needs as the technology evolves and more devices come online, and also prevent those moments where your old system fails and no one will come and service it. The other thing is just ensure those contracts provide the leeway to be scalable because commercial real estate is the least talked about, but possibly one of the most long-term impacted industries of the pandemic. So when negotiating those contracts with telecom providers, make sure they include terms that allow for flexibility and scalability, because this will enable you to adjust your services as your needs change, without incurring the significant penalties or really being locked into that outdated technology.

Todd:
You mentioned legislation earlier in the call. Any other recent legislation that's come out that we should be aware of?

Adam:
So yeah, there's actually two pieces of legislation that businesses should be aware of, especially if they're upgrading their phone systems. So the first one is called RAY BAUM's Act. Essentially, what this is doing is it requires the location information of 911 callers be conveyed to emergency

services. So to think of this way, in the old way, if someone picked up the phone in a 10-story building, and they were on the third floor, and they called 911, they have to manually provide their location. Well, now we have the technology available that 911 wants that information to be conveyed digitally. So your phone system, when you get it set up, each phone is going to say that when they call 911, this is in suite 310, on the third floor. That way, it doesn't delay emergency services from providing assistance. The second piece of legislation is Kari's Law. And when I say this, we're going to think, I don't know why we didn't think of this sooner, but it came about really tragically. So I'll tell you the story. So Kari Hunt was murdered in a hotel room by her estranged husband while her young daughter was in the room. And her young daughter was nine years old, and she was trying to call 911, but the hotel, to get an outside line, you had to dial 9. So while she was dialing 911, the phone system read it as she wants to get an outside line, and now she's dialing 1 1. And so emergency services never came. So now what Kari's law is, is it says, if you have a multi-line phone system, and you dial a number to get an outside line, that 911 cannot be impeded by any other number. You have to reach 911 simply by dialing 911. So, and, when we think about it, that makes common sense, because that's what we teach our children to dial. Now, most legacy phone systems for the listeners, they're going to be exempt from these requirements because they're going to be grandfathered in unless they do an upgrade, and if you upgrade your system, you're going to lose that grandfather protection. But the process to comply with these laws isn't complicated. Your telecom provider will handle it. It's just the business is ultimately going to be held liable if it isn't done. So if you do an upgrade, you want to make sure that your phone system is RAY BAUM'S Act compliant and Kari's Law compliant.

Todd:
As we wrap up, Adam, what's the one key takeaway that you want property managers to remember when it comes to managing their telecom expenses?

Adam:
So working with property managers, I know there's a lot going on and there's a lot to manage on the day-to-day. As a former military officer, I often found myself telling my troops, aim small, miss small, right? You know, we want to aim small., that way we don't have these big discrepancies. I'd share the same sentiment with your listeners. Telecom costs: they're not sexy, and they may not be on the radar of most property management firms, because they just may not register as a big needle-mover. However, what they need to keep in mind is that those savings are going to generate month over month, and they're going to build on themselves. So, you know, in any given month, it may not seem like much, but there's an opportunity for 10s of 1000s of dollars in savings annually if they take the time to do the cleanup in one room. And of course, Schooley Mitchell is always happy to assist with that.

Todd:
Thanks for joining us, Adam.

Adam:
It was a pleasure to be on the show, Todd. Thanks for allowing me to talk about something that we love doing, which is saving organizations money. And I look forward to continuing to share insights with your listeners.

Todd:
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