Pooling Plans 101: Sink or Swim?

From corporate executives to field employees, organizations are increasingly adopting wireless technologies throughout the workforce. As a result, enterprise wireless spend is skyrocketing out of control - and telecom/IT managers are left responsible for taming the wireless beast.

Participating in cellular pooling plans with carriers can help improve the management and visibility of wireless resources, as well as lower cost per minute of wireless use. Pooling, however, can often be a "sink or swim" proposition, so it's important to learn about both the promises and pitfalls of pooling plans.

What is Pooling?

In theory, pooling plans place all users, regardless of actual usage, on the same plan of pooled or "bucketed" minutes for a flat monthly fee or per minute of use cost. Companies with pooling plans enjoy a static or predictable monthly or annual charge, and a perceived lower cost per minute of use. While personal cell phone usage tends to maintain a regular pattern of activity, generally taking place after work hours and on weekends, business use is highly irregular. For example, heavy travel in a particular month could spike wireless costs enormously, and corporate finance departments would have no visibility into that peak until after it occurred. With Sarbanes-Oxley compliance on the minds of IT and finance teams alike, the financial predictability achieved through cellular pooling plans makes them particularly attractive.

In general, pooling plans level usage and costs among high and low users. However, if all users draw minutes from the same pool, then low-volume users often subsidize the costs of high-volume users.

For example, imagine a company paying $500 for a 5,000 minute pool, shared by 10 employees. The assumption would be that each employee would use approximately 500 minutes, for an average per minute cost of $0.10 each. However, if one person uses 4,550 minutes and the other nine only use 50 minutes, then the high-volume user's cost per minute shrinks to roughly $0.01, while the remaining employees' costs increase to a whopping $1 per minute. At Breakaway, we solve this by adjusting the pooling to share out the cost of the portion of the overall pool used by each individual rather than the minutes purchased on their plan.

Similarly, if the total number of pool minutes is not used in its entirety, then the company's cost per minute increases. Using the same example as above, if only half the minutes are used in a month, then the company's cost per minute doubles from $0.10 to $0.20. In contrast, if overage occurs, companies pay a premium - often 200-300 percent more than the contracted cost per minute of use. For example, if employees exceed the allotted 5,000 minutes by an additional 1,000 minutes, the company winds up paying an additional $250 on top of the $500 pool cost.

Essentially, one size does not fit all and flexibility is needed to assign rate plans based on actual usage to ensure the lowest cost per minute of use. In order to achieve maximum benefit from pooling, we recommend companies adopt the following principles:

- Create a baseline
- Actively manage plans
- Actively manage wireless contracts

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