

Case Study: EquaTerra Helps Large Beverage Company Forge Strategic Application Development Partnership

Company Positioned to Experience Estimated Cost-Savings of 30% in Five Years

At a Glance

Company Profile

The company is a large beverage company with a U.S. based subsidiary.

Services Featured

- Outsourcing
- Selection
- Negotiation and Contracting
- Sourcing Governance

Business Processes Involved

- IT – Application Development

Executive Summary

This large beverage company was looking to consolidate its application maintenance services with a single provider in a tactical effort to save money, improve service levels and encourage innovation. The company engaged EquaTerra in its quest to identify a qualified service provider. EquaTerra led the company through an innovative selection process and helped the beverage giant enter into a five-year, \$65 million application development services contract with a major global service provider. Overall, the company estimates it will experience cost savings of more than 30% over the term of the contract.

Business Challenge

Prior to this sourcing effort, this company's application development projects were delivered by a mix of internal resources focused on client-facing activities and external providers, many of which were small, local firms. Application maintenance services were sourced to a large US-based provider. Previous reviews by the company indicated that there were opportunities in terms of capability, scale and cost by consolidating all application development and maintenance (ADM) activities with one provider.

As part of this sourcing effort, the company was looking to achieve the following value from a new partnership:

- Organizational – Delineated activities that add value when performed internally versus those best provided externally.
- Capacity and Scalability – An ongoing relationship with a single provider who brings the capability to quickly provide resources to meet the company's immediate and long-term growth.
- Financial – Significant savings through unit costs as a result of labor arbitrage, economies of scale, and productivity.
- Quality - More effective service levels to drive and incent quality. In addition, leverage a single provider to deliver both development and maintenance, thereby realizing further opportunities to implement quality applications.
- Knowledge Retention - A trained and retained core provider team who will be highly experienced and knowledgeable regarding the company's business and technology environment.
- Process – Standard processes and enabling tools developed and utilized across

hundreds of clients.

- Innovation – A continuous flow of new ideas and methods to the relationship that may include new technologies, tools, and opportunities to rationalize and transform the company's application portfolio.

How We Helped

While the company knew the end results of what it wanted to achieve, it was open to finding the right solution. As such, EquaTerra proposed a hybrid approach to creating a partnership with a new provider which involved a Request for Solution (RFS). The RFS process utilizes best of breed ideas from more traditional sourcing approaches. For example:

- Like an RFI (Request for Information), an RFS does not pre-suppose the solution. Instead it provides an open approach where providers can submit their best ideas.
- Unlike an RFP (Request for Proposal), it does not begin as a highly structured process with yes/no matrices and proscribed approaches. While a degree of structure is provided around certain key solution elements in order to drive comparability, it retains an RFI-like flexibility.
- Like a sole sourcing deal, it has a period of joint solutioning and due diligence where the client engages interactively with the provider to craft the best solution.

EquaTerra provided project leadership and a set of subject matter experts to supplement the resources that the company brought to the process.

EquaTerra initially drove a strategy definition phase during which the company clarified its objectives and built the underpinnings for the RFS, such as the financial case, role mappings, and a list of potential providers. Utilizing this strategic input, an RFS was created and distributed which led to an initial provider down-select. Following the down-select, the period of joint solutioning and due diligence took place resulting in a final proposal from the remaining providers. Following a final down-selection process, the EquaTerra led negotiations resulted in a final agreement.

But nothing is ever as easy as it sounds. During the process, a number of changes were introduced which tested the flexibility of the team. For example, during the initial proposal stage, the team conducted a further review of each of the bidders to determine their abilities to potentially provide services to the company's global parent. Then a pending joint

venture with another beverage company was announced.

This resulted in the decision to take application maintenance out of the immediate scope of the partnership in order to preserve the stability of the application portfolio. While these changes added some time to the process, they were quickly integrated into the approach.

Results

On April 17, 2007, the company announced a five-year, \$65 million application development services contract with a major global service provider. This comprehensive agreement would enable the company to meet its immediate needs for application development services while positioning itself for growth in demand and the potential addition of application maintenance services. The company estimates it will experience cost savings of more than 30% over the term of the contract.

Overall, in the view of the company and its new provider, the deal was a 'win-win,' with both parties entering into an agreement that considered by all to be good, fair, safe and sustainable.

Advisor Insights

There were a number of critical success factors to completing this deal:

- **Internal Resources:** The company committed experienced resources that were needed to get the deal done.
- **Joint Solutioning:** The joint solutioning period allowed the company to hone a solution which best met its needs, including 'cross-pollinating' concepts across the providers. It also gave the company time to work closely with each provider and assess its teams and capabilities.
- **Contract Reviews:** An early draft of the entire services agreement was given to the bidders as part of the process. In parallel to the technical joint solutioning sessions, negotiations began on the agreement. Pre-negotiating the agreement during this period enabled the company to leverage the fact that there were multiple bidders, which overall led to a greatly simplified final negotiations process.

The company also recognized one of the most important keys to success in a sourcing relationship: commitment to governance. The company has devoted resources, both prior to and post signing, to establish an ongoing governance function. To this end, the company retained EquaTerra to assist in the design and implementation of its governance organization and process.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

www.equaterra.com

Copyright © EquaTerra 2008. All rights reserved. The prior written permission of EquaTerra is required to reproduce all or any part of this document, in any form whether physical or electronic, for any purpose. 5048_072008.

Contact Us

If you would like to know more about EquaTerra please contact us.

Europe/Asia Pacific
+44 (0) 845 838 7500
infoeuapac@equaterra.com

Americas
+1 713 470 9812
infoamericas@equaterra.com

For details of all our locations visit www.equaterra.com/locations