

Case Study: Specialty Apparel Retailer Turns to EquaTerra to Conduct Benchmark Analysis of its IT Infrastructure Analysis Leads to Infrastructure Outsourcing Agreement, Helping Company Improve IT Capability, Speed to Market and Cost Competitiveness

At a Glance

Company Profile

This multi-billion dollar company is one of the world's largest specialty retailers of branded apparel and boasts thousands of locations and employees around the globe.

Services Featured

- Benchmarking
- Business Case
- Selection
- Negotiation and Contracting
- Transition
- Transformation
- Outsourcing Governance

Business Processes Involved

- Information Technology

Executive Summary

A large specialty retailer was looking to improve its IT capabilities, speed to market and cost competitiveness. To do so, the company retained EquaTerra to conduct a benchmark analysis so it could see how it compared to industry best practices. The eye-opening analysis led the retailer to engage a global sourcing provider so it could transform its IT infrastructure and thereby improve upon several lagging IT competencies. As a result, the retailer got on track to consolidating its IT systems, migrating retailers' locations to a wireless network, and fully leveraging the provider's global operations and support infrastructure.

Business Challenge

This well-known multi-billion dollar retailer wanted to improve its IT capability, speed to market and cost competitiveness, and desired to operate next-generation systems. To achieve such results, it needed to gain a better understanding of its current internal IT Services infrastructure and capabilities and compare those capabilities to the current market.

How We Helped

The retailer retained EquaTerra to help it create a comprehensive benchmark analysis of its internal IT Services infrastructure and capabilities and then compare its internal structure to EquaTerra's repository of best-in-class data, which consist of both cost and service ability ratings. EquaTerra reviewed the following areas: application enablement, midrange, mainframe, storage, service desk, data and voice network, security and cross-functional services.

From this high-level analysis, the company decided to undertake an outsourcing initiative to transform its IT infrastructure.

EquaTerra performed additional analysis and support during the service provider bid process, including reviewing the base case to determine its reliability in establishing savings projections and providing insight into the pricing of each sub-component to measure market competitiveness. The bid included all of the company's infrastructure capabilities including mainframe, midrange, service desk, data and voice network, as well as support of its retail store environments for all of North America.

Once a provider was selected, EquaTerra led the pricing component of the contract negotiation phase (including benchmarking, negotiating terms and conditions and establishing the methodology used for the pricing structure), and supported the

company's legal counsel in all other contract negotiation activities. These activities resulted in a robust contract that met or contained the company's pricing targets, which included:

- Variability
- Predictability
- Visibility
- Business and IT-based metrics
- Value-based charges
- Consistency
- The ability to allocate charges based on business metrics to the company's internal brands

Following the contract development phase, EquaTerra helped establish an invoice validation model and a forecast model to be used by the company's finance team.

The company further engaged EquaTerra to help with ongoing transition and governance creation activities as to ensure the success of the outsourcing relationship and to avoid common transition-phase challenges. The support provided includes insight into transition activities and milestones, issue resolution, financial modeling and invoice validation and audit.

Results

Through its relationship with the third-party service provider, this retailer is now on track to:

- Consolidate its IT systems
- Gain access to a virtualized server and storage platform strategy that will scale to meet demand flux
- Take advantage of technology and integration expertise to migrate the retail locations to a leading-edge wireless network
- Leverage the service provider's global operations and support infrastructure

Advisor Insights

In evaluation of the process, EquaTerra has documented some key lessons and takeaways from this particular engagement:

Prepare for the complexities that come along with a tripartite transition. There are specific governance and often complicated relationship issues that need to be dealt with early and often through the transition process. The process requires

the client organization to fully understand the reason for the service provider change, as it can impact the working relations between all parties. In the case of tripartite transitions, which are increasingly becoming more commonplace as outsourcing moves through several generations (i.e., as companies move from single-service providers to multi-sourced environments, etc.), it's important to monitor and address service providers that may deploy tactics that mask their outsourcing deficiencies. Not only that, but it's also important to recognize the varying financial goals each party holds. There are cultural and communication styles of various parties that need to be properly facilitated to deter roadblocks or delays. What can work well in transitions like this is a document outlining the rules of engagement between the incoming and outgoing service providers. It's also important to negotiate, at the beginning of the transition, what resources and exit obligations will be required by the outgoing service provider to support the transition.

Anticipate transition issues. While it's easy to focus on the issues surrounding concerns of a tripartite transition, it's just as important to not let general transition issues slip through the cracks. Companies should consider upfront the interim operational / governance processes that need to be put in place as a priority. Most businesses don't have the luxury of putting a complete change freeze in place and this should be recognized early on when planning for potential transition issues. Also, in order to align all parties' efforts, a common work breakdown structure is needed to facilitate building, tracking and monitoring of the transition. Clear detail about everyone's role in the transition, and perhaps even some relief provided to the outgoing service provider once the new service provider is given access to the system, are all necessary components of a successful transition.

It's also important to involve the client organization in identifying the stakeholders and their roles and responsibilities in acceptance of the transition plans, as well as getting the outgoing service provider and client organization to identify the list of other parties who are recipients of service, e.g., sister companies, suppliers, etc. As with most transitions of this nature, there needs to be a formal knowledge sharing process to tackle day-to-day management and intellectual property ownership, as well as any other related issues.

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.

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