



DELIVERING END-TO-END IT SERVICES WITH A FOCUS ON COST-REDUCTIONS



When KPN wanted major new efficiencies in IT service delivery, it looked to outsourcing partner Atos Origin to deliver major cost savings with absolutely no compromise on quality.

KPN is a market leader in all major segments of the Dutch telecom market, and one of the top three operators in Germany and Belgium through its E-Plus and BASE mobile networks. 8 million fixed line subscribers and 1.5 million Internet customers in the Netherlands rely on its services, with nearly 15 million mobile subscribers in all. Its new UMTS services are available to 30% of the Dutch population, who also enjoy unlimited use of UMTS and GPRS for a set 'flat fee' per month.



BUSINESS CHALLENGE

KPN's activities are characterized by a focus on service quality and customer satisfaction, underpinned by the conviction that these are dependent on a well-motivated workforce.

Therefore in 2001 when the company made the decision to outsource its datacenter operations, viewed as a peripheral to the core business, it chose its sourcing partner - Atos Origin - with great care. That care paid off: the meticulously planned transition included around 1100 staff, and delivered an immediate reduction in running costs in just six months.

However by 2002 KPN needed to make further savings. The dramatic fall in fixed line tariffs - and the high cost of the UMTS license - was putting enormous pressure on costs, and threatening to constrain the development of new generation mobile services. Internal measures were simply not delivering the right level of savings. KPN wanted an external partner to focus on two key targets - inefficient and expensive end-user services, and the spiraling cost of applications ownership within its software house.

The goal was exceptionally ambitious. KPN wanted a 35% cost reduction in three years, across the datacenter, desktops, and the Softwarehouse applications development unit. So between 2002 and 2005 its chosen partner would have to save the company 100 million euros - without sacrificing quality. Quality was simply not negotiable, so KPN needed a partner with the imagination and commitment to look beyond service levels to the full value chain.

As an outsourcing partner, Atos Origin was living up to expectations, and its technical and operational skills were beyond question. In addition, Atos Origin demonstrated the qualities KPN was now looking for in its new partner: a culture that reflected KPN's own, and real enthusiasm and commitment from Board level down to serving its client's goals.

KPN chose Atos Origin as its partner for the delivery of end-to-end IT services.

SOLUTIONS

The first task for Atos Origin in July 2002 was to take a close look at KPN's existing processes, to determine the potential for cost reduction. Working closely with KPN, the Atos Origin working party charged with finding

opportunities to cut costs and improve processes identified 86 high-level business cases. Work then started on a program of consolidation at datacenter, platform and application level, accompanied by fine-tuning of the billing environment.

The substantial savings lying dormant within KPN's NT-based desktop environment were quickly realized. A full reorganization and a migration to Windows NT halved the cost of running desktops for 17,000 seats, in line with the ambitious cost reduction program.

KPN Softwarehouse presented far more complex challenges. The priority for Atos Origin was first to align its consult, build and application skills and tools with those within Softwarehouse. Then, it could start chiseling away at total cost of ownership for the services delivered to KPN Business Units.

New technology is a major key to cost reduction, and the Atos Origin team began the process of shifting KPN away from its legacy custom applications, with their substantial cost of ownership, towards the flexibility of off-the-shelf systems such as the BSS suite. The focus for the 600 or so KPN staff now working with Atos Origin also broadened, to include delivering service offerings to external telecom markets.

So whereas Softwarehouse resources were initially divided equally between maintaining and building custom applications for the KPN Business Units, within the second year of the program it had evolved into a systems integrator for 80% of applications in the BSS environment. It has also extended its scope into non-IT areas such as the introduction of Sarbanes Oxley, IFRS, and IAS.

Shared goals are of course vital to the success of the program. KPN must provide the right environment, if its partner is to deliver, and a system of seven mutual performance indicators has played a key role in enabling Atos Origin to look beyond SLAs and 'best effort' tactics.

Existing SLAs were of course adjusted to reflect the way the services are now delivered: they remain the cornerstone of successful IT operations that meet client expectations. But Atos Origin recognizes that SLAs cannot tell the whole story. To take just one example: in KPN, the application chain linking the call agent to the planner to the service engineer involves 32 interconnected systems, and each of those systems naturally has its own SLA. But this is the real world, so it was perfectly possible for every one of those SLAs to be met, and for the service engineer to fail to make the call. So today, Atos Origin's focus is the smooth functioning of the whole value chain, not just the components – in other words, its people 'think like KPN'.

Now the focus for Atos Origin has evolved further. In the next year, a complete reorganization of the IT infrastructure will deliver utility-based services where a rationalized set of applications will run wherever capacity is available, instead of individual silos. The result will be a far more efficient use of resources, and further savings for KPN.

THE BENEFITS

The relationship between KPN and Atos Origin is truly evolutionary. Having moved from datacenter sourcer to end-to-end IT services partner, the basis of the relationship has further evolved from one focused on best-effort and SLAs to value-chain based evaluation.

As a result, two years into the program Atos Origin is well on target to deliver the substantial 35% savings KPN needs, while the operator is able to maintain the high levels of service on which its continued success relies. Business unit satisfaction with IT services is high, and KPN is also generating new revenues by offering billing, webhosting and CRM services to the wider telecom market.

About Atos Origin

Atos Origin is an international information technology services company. Its business is turning client vision into results through the application of consulting, systems integration and managed operations. The company's annual revenues are more than EUR 5 billion and it employs over 46,000 people in 40 countries.

Atos Origin is the Worldwide Information Technology Partner for the Olympic Games and has a client base of international blue-chip companies across all sectors.

Atos Origin is quoted on the Paris Eurolist Market and trades as Atos Origin, Atos Consulting, AtosEuronext and Atos Worldline.