

Outsourcing 2.0

A PAC Trend Analysis
Prepared for Computacenter AG & Co. oHG



Pierre Audoin Consultants

Preface	3
Management summary	4
1. The changing outsourcing market	5
<i>Figure: Structure of IT expenditures, 1992-2008</i>	5
1.1. First Generation Outsourcing	5
1.2. Next Generation Outsourcing/Outsourcing 2.0	6
1.2.1. Characteristics of NGO	6
<i>Figure: Outsourcing yesterday and today</i>	7
1.2.2. Drivers of NGO	8
1.2.3. The service provider as a partner to company IT departments	8
2. Outsourcing 2.0 from the customer's perspective	9
2.1. Description of the survey	9
<i>Figure: Distribution of surveyed decision makers according to position</i>	9
<i>Figure: Distribution of surveyed decision makers according to industry</i>	9
<i>Figure: Regions in which the surveyed companies have locations</i>	9
<i>Figure: What are the greatest challenges for your business – from a business perspective?</i>	10
2.2. Results of the user survey	10
<i>Figure: What are the greatest challenges for your business – from an IT perspective?</i>	11
<i>Figure: In which of the following IT infrastructure areas do you see the greatest need for action/optimization in your company?</i>	12
<i>Figure: In what areas have you already had experience with outsourcing or managed services?</i>	13
<i>Figure: Are you planning to outsource services – if so, in what areas?</i>	14
<i>Figure: How would you evaluate the following arguments for utilizing external service providers in your infrastructure operations?</i>	15
<i>Figure: How would you evaluate the following statements with regard to an outsourcing or managed services relationship?</i>	16
3. Computacenter Outsourcing 2.0	18
3.1. Computacenter's profile	18
3.2. Computacenter Outsourcing 2.0	19
<i>Figure: Computacenter Managed Services: Classical vs. Outsourcing 2.0</i>	19
<i>Figure: Managed Desktop Environment Services</i>	20
Computacenter Outsourcing 2.0 Services in detail:	20
<i>Figure: Managed Data Center Services</i>	21
3.3. Computacenter Outsourcing 2.0 in practice	24
3.3.1. Reference Cognis Group	24
3.3.2. Reference Union Investment	25
4. Summary and outlook	26
	28

Preface

About 30% of IT budgets in Germany today are spent on services performed by third parties. Over 40% of these are considered outsourcing or managed services. As such, the concept of long-term partnerships has become an established means of supporting IT operations – and will continue to become more significant. Just about every IT department at every company deals with sourcing strategies.

But outsourcing has also changed with the increased marketability of this concept. The familiar advantages of outsourcing, such as reduced costs, access to the expertise of outside providers and the freeing up of internal resources, are still part of the package. The goal of the outsourcing relationship, however, is becoming increasingly focused on providing a specific benefit to the customer's business. More and more service providers are becoming partners who assume responsibility and actively create value for the customer by utilizing innovative end-to-end IT solutions.

What exactly is involved in this new type of outsourcing partnership? What expectations does a customer have of a service provider? What capabilities differentiate a "vendor" from a "partner"?

In order to get substantiated answers to these questions, Computacenter commissioned the independent market analysts at Pierre Audoin Consultants (PAC) to create this white paper. The survey, which was conducted from the end of 2008 to the start of 2009, targeted 105 decision makers in upper and IT management teams at medium-sized and major companies throughout Germany. The aim of the survey was to record the current market requirements for the business and IT sides. It was also important to examine the attitudes of IT decision makers regarding the new generation of outsourcing as well as its potential and limits.

The results of this survey are summarized in this white paper. This document also provides a brief overview of the topic of

"Next Generation Outsourcing" as well as Computacenter's specific approach, the "Outsourcing 2.0" concept.

This document is specifically designed for all corporate and IT decision makers who are involved with the outsourcing of IT services and want to learn more about the new generation of services available in this field.

Management summary

Over 40% of external IT services are performed in the form of long-term operating contracts in a market valued at 13 billion euros. The trend towards outsourcing and managed services continues to grow dramatically.

Over the past few years, the number of outsourcing contracts awaiting renegotiation following expiration has risen greatly with the increased marketability of these services. This “second generation outsourcing” in particular needs to incorporate the benefits generated in the first outsourcing phase as well as additional advantages for the customer. New cost savings are necessary – but do not represent the only decisive factor in a successful outsourcing strategy. This new outsourcing model – “Next Generation Outsourcing (NGO)” or “Outsourcing 2.0” – focuses on supporting business processes while increasing the flexibility, scalability and industrialization of IT processes.

Most of the criteria involved in Outsourcing 2.0, such as the provision of standardized and automated services or pay per use, are not new. The truly innovative aspect of this strategy is the clever combination and unconditional alignment of end-to-end services to ensure the greatest possible benefit to the business.

A survey was conducted to quantify this development more specifically using empirical data. The results were not surprising considering the prevailing uncertainty regarding the economy: Respondents considered increasing competitive pressure and cost cuts as the most important challenges facing their businesses. The participants also focused on other future-oriented issues. 82% of respondents named opening up new business segments, the ability to adapt to changing market conditions as well as measures to attract new customers and increase customer loyalty as other major challenges. It is clear that companies do not want to compromise future opportunities by focusing solely on short-term cost cuts. For this reason, it is important for them to find a balance between cost optimization and long-term contractual agreements which

aim to increase company value.

The survey also found that a large number of respondents already had experiences with IT outsourcing. Over one-third of respondents were planning specific outsourcing steps in the next few months, especially in the areas of IP telephony, user help desk, application management/development, mobility, output management and other business processes.

The survey findings also indicate a clear change in outsourcing partnerships. Service providers are expected to be more business-oriented and supply offerings which meet increased requirements when it comes to scalability and flexibility. When it comes to choosing a service provider, even if “only infrastructure operations are involved”, aspects like business alignment, know-how, ingenuity, trust/“working as equals” and the option for usage-based billing were considered more important than costs alone. The wish that the provider be familiar with the customer’s business requirements beyond mere IT matters received the greatest consensus among respondents, at 90%.

At the same time, they were willing to accept an increasing level of standardization and industrialization in the services provided as long as these offered additional advantages and met the relevant requirements. The somewhat contradictory views involving these topics in particular show that we are in a transitional phase. Over 80% of survey participants were willing to utilize standardized services provided they effectively cut costs. On the other hand, over 86% of respondents doubt that standardized IT services will meet their business requirements.

Over 90% also said that it was important for the service provider to assume responsibility for an end-to-end service. In addition, these services should be “performed in line with the customer’s own processes and methodologies”.

The results clearly show that customers specifically want to give the service provider more responsibility. Thankfully, it is no longer a question of “either or”. Instead, combined models which reflect more and more aspects of Outsourcing 2.0 are becoming established within the outsourcing landscape. These provide customers the right mix of customized and standardized services to meet their specific requirements.

1. The changing outsourcing market

Today, German companies spend around 110 billion euros on information technology – about one-third more than they did 15 years ago. Most business processes, from controlling and production to simply interacting with customers and partners, are unthinkable without IT support. More and more office-based and mobile working environments are equipped with IT devices which serve an increasingly diverse range of needs.

At the same time, however, the volume of IT expenditures has remained essentially constant since 2002. The increasing penetration of information technology within companies of all sizes and sectors has been compensated by significant reductions in the prices of IT products and services.

The major difference lies in the way budgets are used. The purpose and structure of IT investments have changed in decisive ways.

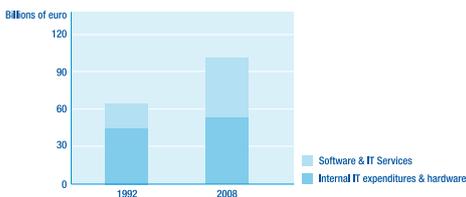


Figure: Structure of IT expenditures, 1992-2008

Expenditures for internal IT staff, for example, have been reduced by nearly 10% since 2000. Hardware costs are down nearly 20%. In contrast, the share of expenses involving software products and IT services has increased from less than 25% to over 40% of all IT expenditures.

The market for outsourcing and managed services is one particular success story.

1.1. First Generation Outsourcing

In the early 1990s, German companies spent less than 2% on external IT services. Today, this figure has risen to over 12%. At the same time, the amount of IT in-house production is relatively high in Germany. However, over 40% of external IT services are performed in the form of long-term operating contracts in a market valued at 13 billion euros. The trend towards outsourcing and managed services continues to grow in popularity.

While growth rates of 20-30% are a thing of the past, PAC anticipates an increased demand for external operating services as the established response to every IT department's basic dilemma. Company IT departments are required to find the ideal solution between maintaining cost-effective and reliable operations while generating added value for the business through innovation. Fewer financial resources are available to manage increasingly complex and strategically significant systems, which also result in growing requirements. At the same time, IT needs to observe compliance guidelines such as the Sarbanes-Oxley-Act (SAS-70).

One recognised way of creating space for innovation is to outsource services which are do not effectively differentiate the company from its competitors.

Traditional outsourcing usually promises significant savings in operating costs. The customer also benefits by having access to the service provider's know-how and technologies, and is able to free up internal resources from recurring routine work.

Although the primary goal is to cut costs in the short term, there is a risk that internal problems such as excessive costs and complexity, low quality, etc. may just be passed on to the service provider. The service provider can perform these individual services at a lower price by taking advantage of economies of scale. In many cases, however, no one examines whether this type or quality of service is truly the best for the customer.

But what happens when the first step has already been taken, i.e. when parts of the infrastructure operations are already outsourced?

1.2. Next Generation Outsourcing/Outsourcing 2.0

Over the past few years, the number of outsourcing contracts which have expired and await renegotiation has greatly increased as compared to the total contract volume up for bidding each year. Several of the first German contracts originating from the early 1990s are being renewed for the second, third or even fourth time.

“Second generation outsourcing” in particular requires a model which includes the benefits generated from the first outsourcing phase as well as additional advantages for the customer. While new cost savings are an obvious part of any outsourcing strategy, other aspects which highlight the specific added value of IT for the business are becoming increasingly significant. The gradual transformation to this new outsourcing model is generally referred to as “next generation outsourcing (NGO)” or “outsourcing 2.0”. There is no clear and universally applicable definition of NGO. Nevertheless, industry associations, providers and analysts generally agree on what NGO means.

One thing is certain: it's no quantum leap. More than anything, this term describes advances in the outsourcing market. This development is based on the existing advantages of conventional outsourcing and takes this concept to the next highest level of the value chain.

Most of the integrated criteria, such as the provision of standardized and automated services or usage-based billing, are not new. The clever combination and unconditional alignment of end-to-end services to ensure the greatest possible benefit to the business is what is truly innovative about outsourcing today.

1.2.1. Characteristics of NGO

Respondents generally attributed the following aspects to “Next Generation Outsourcing” instead of “classical” outsourcing:

Support for business processes

The main focus is no longer to have an outsourcer operate a specific layer of IT at a reduced cost. Instead, the availability, service levels and performance of an end-to-end service are modeled to meet the requirements of the supported business process.

These frequently extend across distributed, often international subsidiaries, and involve partners, customers and vendors. This makes it all the more important to align the performance of individual IT components – whether infrastructure components or applications – with the requirements of the entire business process. The performance of the process must be the top priority.

This changes the relationship between the customer and service provider. A vendor becomes a partner: This service provider assumes responsibility and actively creates value for the customer's business by utilizing innovative technological solutions. Rather than simply responding to problems, the vendor analyzes possible issues in advance and develops suggestions for optimization together with the customer. This also means that the services to be provided must be specified on a more service- or business-oriented level instead of a solely technological one. The question of “what service is provided” is increasingly replaced with “how is it performed”.

Flexibility and scalability of IT services

It must be possible to adapt business processes to market conditions more and more quickly. For this reason, it is essential that the IT services behind these processes are flexible enough to be expanded or cut back as necessary. This also involves billing according to the specific units actually used (“pay-per-use” principle), which transforms rigid blocks of fixed costs into variable costs. This reduces start-up and operating costs while greatly increasing predictability

and transparency. It is easier to allocate specific costs to their sources and manage them accordingly.

The industrialization of IT

Thanks to the standardized, centralized, automated and modular nature of the portfolio as well as the service performance itself, the service provider is not overwhelmed with routine work. This makes it possible for the partner to focus on customizing standard services to the customer's specific requirements – thus creating added value. Using proven standards and automated services also allows the IT provider to realise higher quality and security standards than would be possible in a variety of very complex and individual contracts.

Standardized processes, tools and services also allow customers to profit from the economies of scale resulting from the shared use of central service factories. Last but not least, these significantly simplify and accelerate the commissioning of new functions.

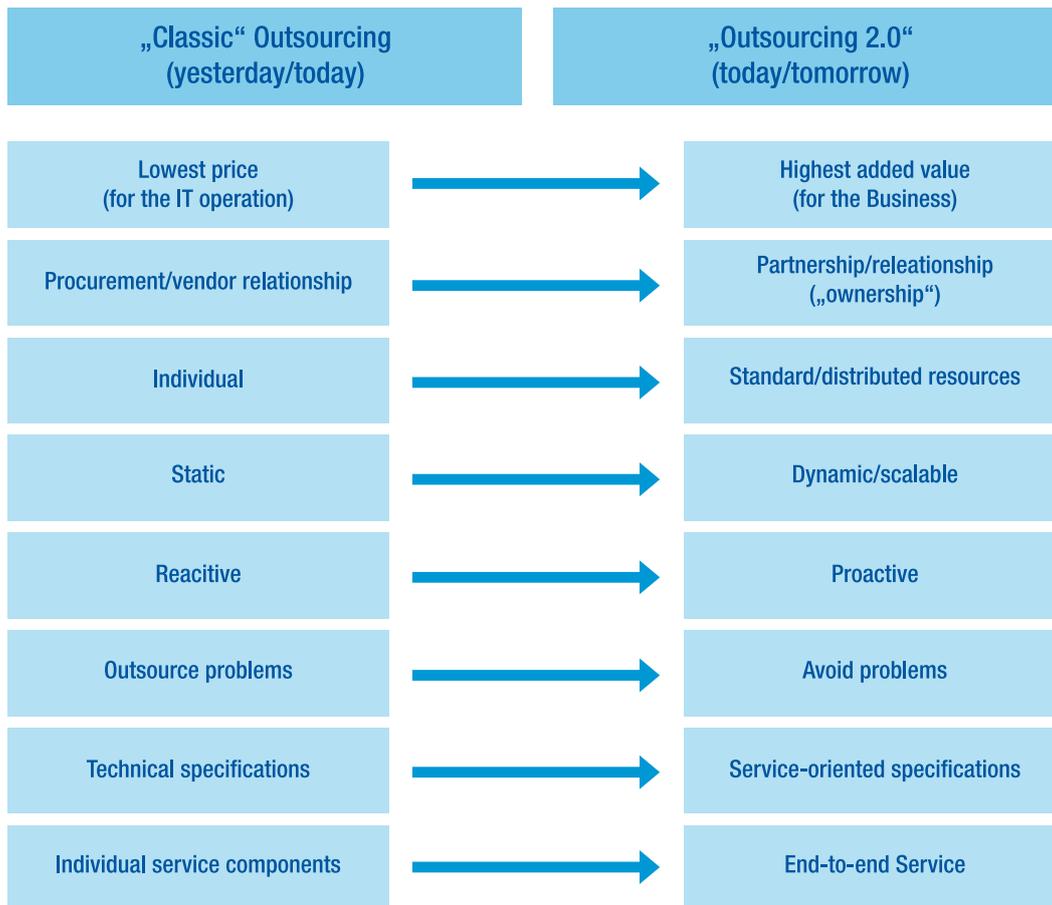


Figure: Outsourcing yesterday and today

1.2.2. Drivers of NGO

The increasing importance of Next Generation Outsourcing is being driven on both the portfolio and demand sides.

On the one hand, the providers have the technology and processes in place. It was only possible for best practices and de-facto standards like Six Sigma and ITIL to become established as the market matured. These allow service providers to create customized solutions for their customers which are essentially based on proven standards. Services can also be performed efficiently and centrally thanks to virtualization technologies and technological prerequisites, such as the required bandwidths. Innovative monitoring and billing tools make it possible to record and document the actual services used.

Users have also become more knowledgeable when it comes to outsourcing concepts. More and more customers are willing to accept standards and other shared resources as long as they provide these additional benefits. Customers with outsourcing experience especially demand that service providers take a more proactive role in their work. Cost efficiency is still an essential factor in outsourcing. At the same time, demands on external partners will continue to evolve as IT departments change the way they see themselves.

1.2.3. The service provider as a partner to company IT departments

IT departments no longer consider themselves to be mere “enablers” of business. They also aim to generate added value for the company. They can contribute to strengthening loyalty among existing customers or to successfully attracting new ones. They can also help design more efficient processes and make it easier for colleagues or partners to work together. They can improve the time-to-market of product developments and increase response time to changing market conditions.

As such, CIOs are no longer responsible for simply managing a cost center. They need to be true innovators. Ensuring the efficiency of IT operations is not enough. Today, the focus is on increasing the possibilities of IT as well as the company’s overall efficiency and flexibility.

For these reasons, external partners are expected to make their own contribution to these strategies. In addition to ensuring cost-effective operations, they must also drive innovation and create new impetus for the business. If successful, the vendor can position itself as a partner to the company and, most importantly, the IT department.

In the past, outsourcing providers were frequently considered competitors to internal IT departments – and this was not entirely wrong. Since 2002, about 15 “IT companies”, or outsourced IT departments, as well as numerous internal IT departments were sold to external providers in the scope of outsourcing agreements. Outsourcing bids are also frequently used as benchmarking instruments to put more pressure on IT departments.

However, very extensive contracts are essentially a thing of the past. In the meantime, more selective forms of outsourcing and managed services have become established as a means to provide targeted support for IT operations.

Still, the ideal “innovation partnership” between the customer and service provider requires two essential prerequisites: For one, the service provider needs to have a thorough understanding of the customer’s business and be able to customize its ser-

vices accordingly for the greatest possible benefit. The customer must also be willing to give the service provider the necessary latitude to proactively develop innovations. Selecting a “low-cost” provider or clinging to one’s own tools, processes or technologies do not help in this effort.

2. Outsourcing 2.0 from the customer's perspective

In December 2008, an online survey was conducted among user companies for the purpose of creating this white paper. The aim of the survey was to record the current market requirements for the business and IT sides. It was also important to examine the attitudes of IT decision makers regarding the new outsourcing generation as well as its potential and limits.

2.1. Description of the survey

A total of 105 decision makers from upper and IT management were surveyed. The target audience consisted of major and medium-sized German companies across all industries with 1,000 to 10,000 employees.

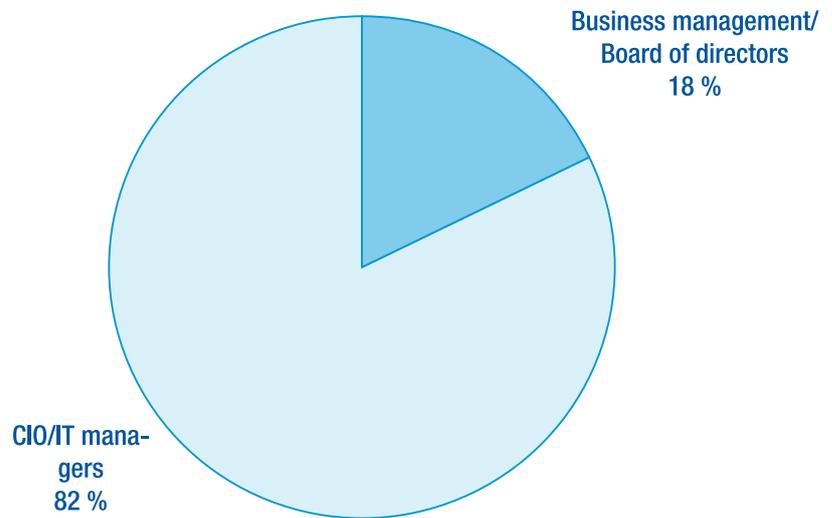


Figure: Distribution of surveyed decision makers according to position

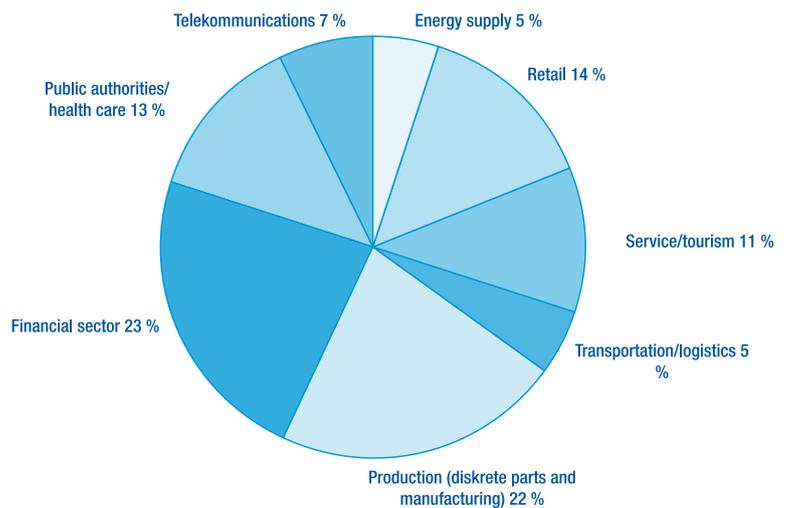


Figure: Distribution of surveyed decision makers according to industry

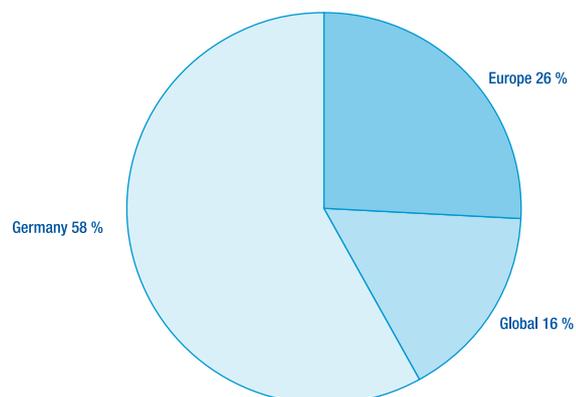


Figure: Regions in which the surveyed companies have locations

2.2. Results of the user survey

According to the survey, increasing pressure from competitors and cost cuts were the top challenges from the business perspective. This was not surprising considering the current economic uncertainty. It also confirmed that these issues are considered to be more important to business managers than IT decision makers. The group that most frequently evaluated this challenge with “strongly agree” were the business managers.

In addition to cost and competitive pressure, respondents focused on other future-oriented issues. 82% of respondents named opening up new business segments, the ability to adapt to changing market conditions as well as measures to attract new customers and increase customer loyalty as other major challenges. Only around 2% said that the ability to quickly adapt to changing market conditions was not important.

Other challenges were related to the issues of staff management, employee motivation and environmental protection.

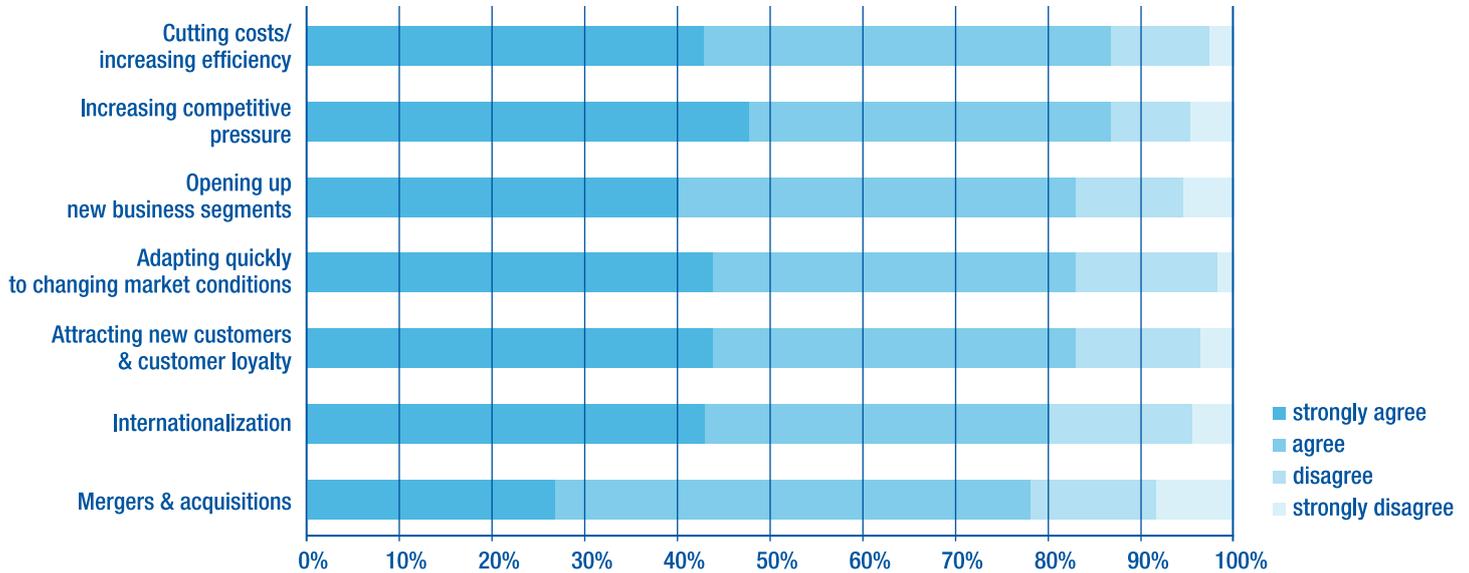


Figure: What are the greatest challenges for your business – from a business perspective?

When asked about the greatest challenges in their work, IT managers placed security and business continuity at the top of the list. None of the participants considered this area to be unimportant. If one looks at the “strongly agree” responses alone, cost cutting/savings are also the most important issues from the IT perspective.

Non-IT managers placed greater emphasis on scalability and flexibility as well as source-related cost allocation than the IT decision makers. Overall, however, more than 80% of respondents considered these to be pressing topics.

One-third of participants considered a lack of skills to be a major problem. Obviously, this does not affect all of the respondents to the same extent.

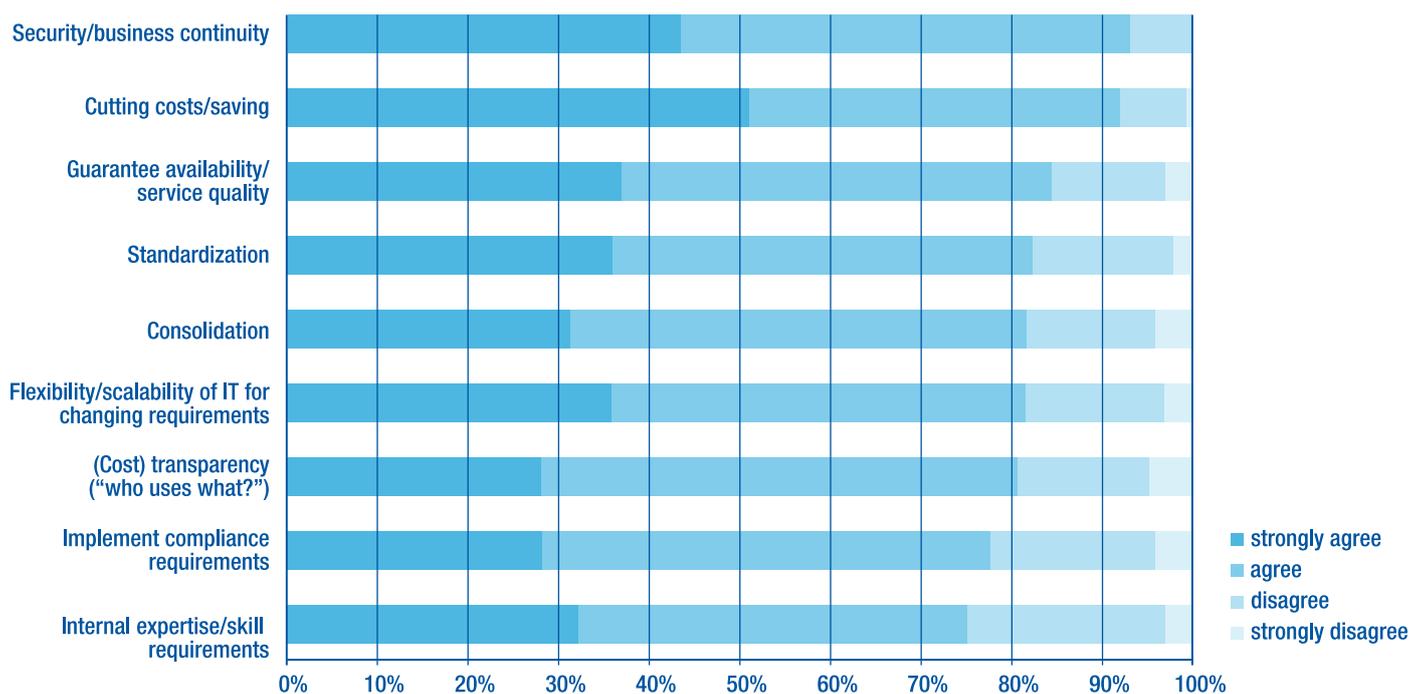


Figure: What are the greatest challenges for your business – from an IT perspective?

When asked about the greatest area for action and optimization in infrastructure operations, the majority of participants saw the topic of security/network as the most urgent once again. Along these lines, most participants felt that there was a major to great need for optimization in the area of distributed infrastructures/desktop workstations as well as management systems and tools, i.e. a service management environment that is efficient, standardized and as automated as possible.

As the following chart shows, there is a very clear correlation between the areas in which the least amount of action is required and the degree of outsourcing already being done in each infrastructure area. Participants feel that some action must be taken in the areas of application hosting, user help desk and output management, but this is lower when compared to other areas. At the same time, these three services are among the ones most frequently outsourced.

It seems that some of this “need for action” has been handed off to the service providers. It is also notable that many respondents think action must be taken in the area of distributed infrastructure/desktop workstations. Nonetheless, less than one-quarter of those surveyed were willing to outsource the desktop workstations.

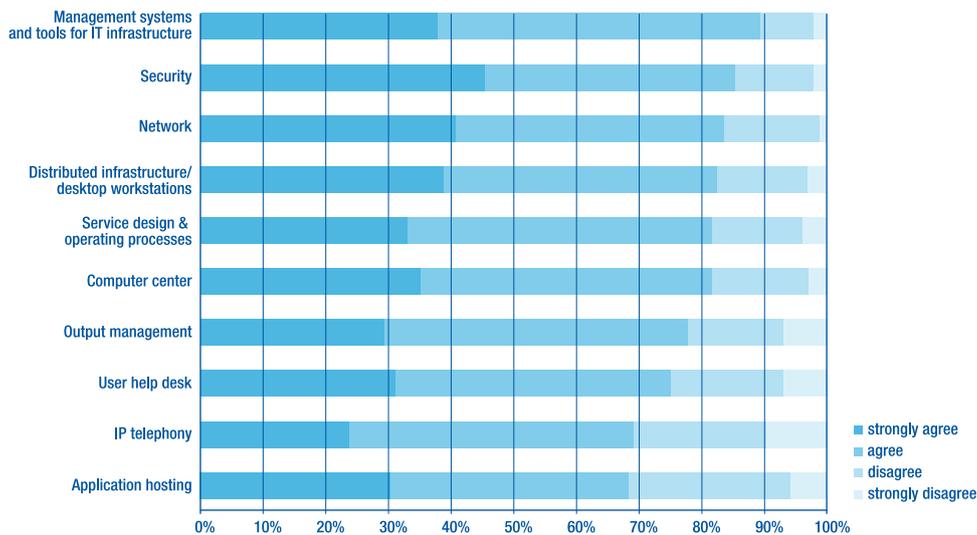


Figure: In which of the following IT infrastructure areas do you see the greatest need for action/optimization in your company?

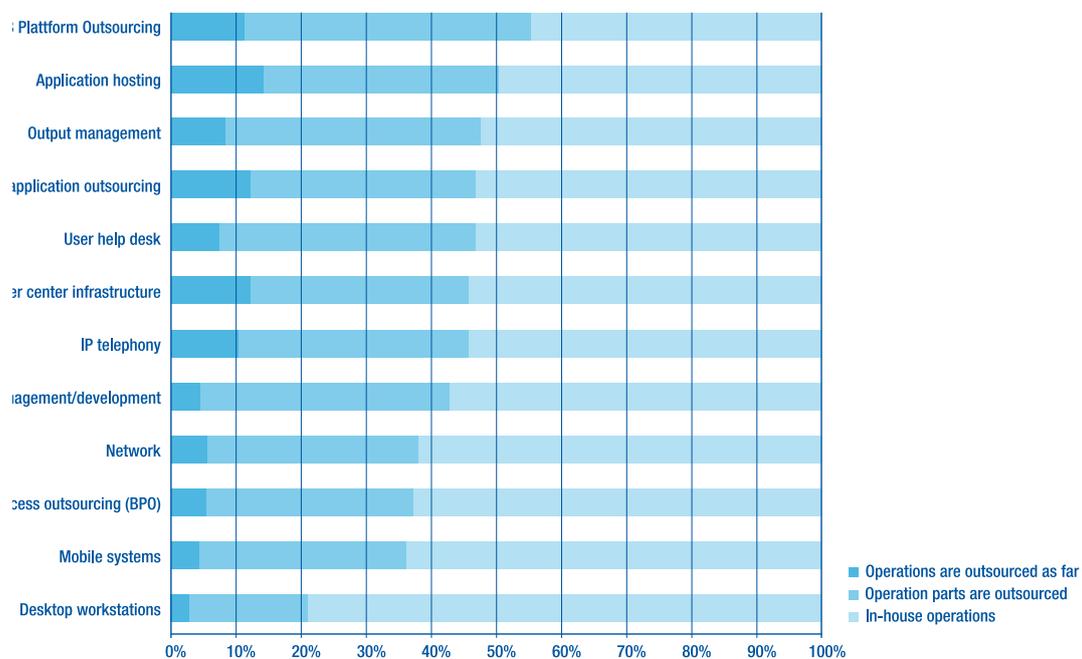


Figure: In what areas have you already had experience with outsourcing or managed services?

At this point, participants who had only outsourced parts of the named areas or no services at all were asked about their outsourcing strategy.

Over one-third of respondents were planning specific steps in the next few months in the areas of IP telephony, user help desk, application management/development, mobility, output management and other business processes.

“Outsourcing is generally discussed” was the most frequent answer for the areas of desktop workstations and mobile systems. The areas most frequently categorically excluded from outsourcing (if not yet outsourced) were network operations and business processes.

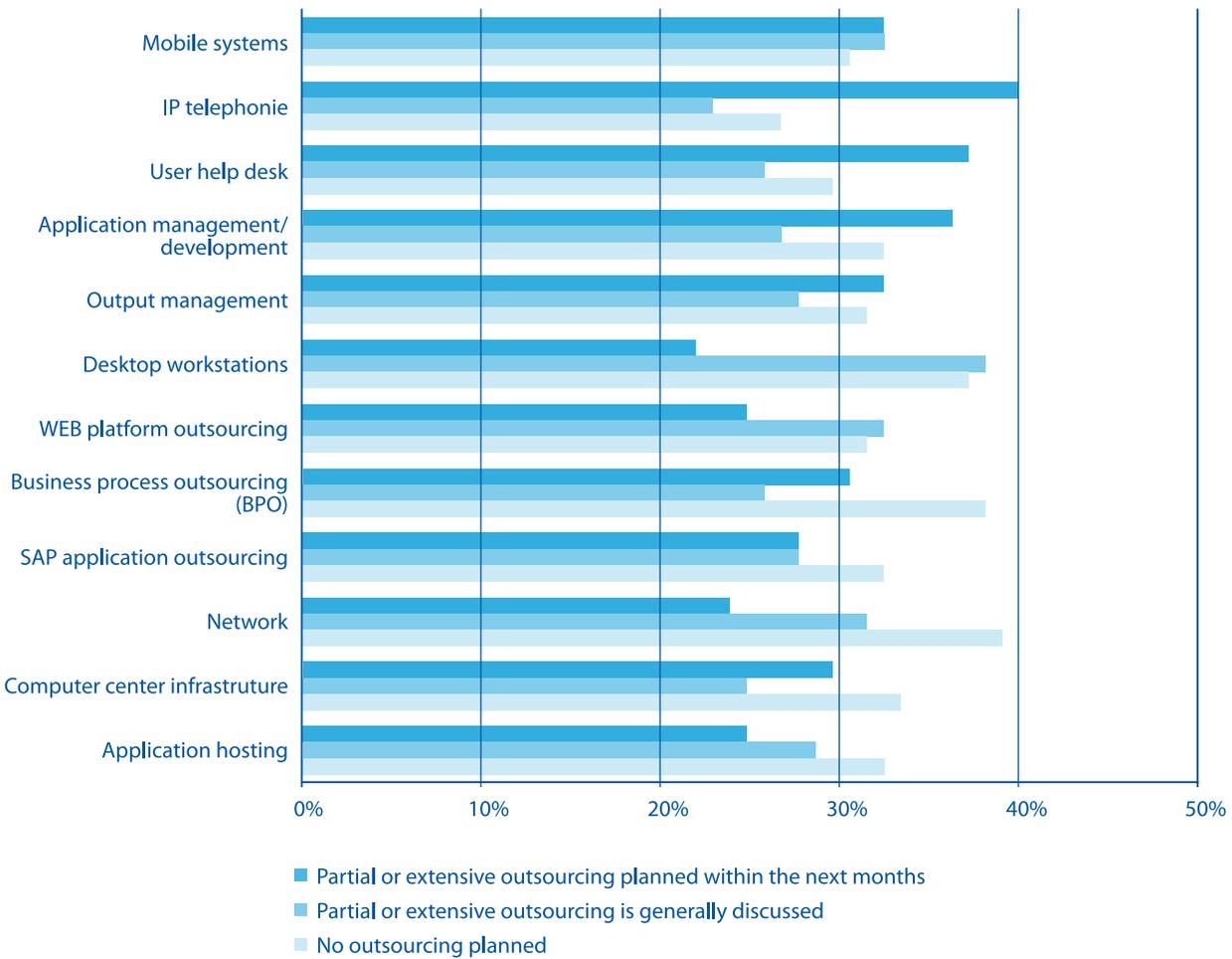


Figure: Are you planning to outsource services – if so, in what areas?

The wish that the provider be familiar with the customer's business requirements beyond mere IT matters received the greatest consensus among respondents, at 90%. This is not surprising, but further emphasizes the significance of the new focus in outsourcing partnerships. The fact that decision makers consider the cooperation with a trusted service provider as an equal partner to be an important topic also underlies the change in the way companies work with vendors.

Everyone agreed that security/data protection was the most essential requirement. The service provider's industry and process expertise followed in third place. The cost benefits of outsourcing were also an important argument. It is very clear that when it comes to choosing a service provider, even if "only infrastructure operations are involved", aspects like business alignment, know-how, ingenuity, trust/"working as equals" and the option for usage-based billing were considered more important than costs alone.

The results reflect the expectations of service providers in the course of Next Generation Outsourcing/Outsourcing 2.0. It is apparent, however, that the majority are willing to hand over most responsibility for IT operations to a service provider in order to profit from their expertise in service performance. This is shown in the following overview.

Nonetheless, user companies are undecided when it comes to entering into an Outsourcing 2.0 partnership. On the one hand, over 86% of respondents doubt that standardized IT services will meet their business requirements. This answer was provided most frequently by telecommunications companies and energy suppliers, while the segments of discrete parts manufacturing and service/tourism were more open. On the other hand, over 90% also said that it was important for the service provider to assume responsibility for an end-to-end service aligned with their business needs. How this service is actually performed was a secondary issue. More than 80% of survey respondents are also willing to use standardized services if they cut costs, and 80% would even accept shared services. Companies from the process production, transport & logistics sectors especially were more open to using shared services on average. Insurance providers were more skeptical due to the sensitive data they handle.

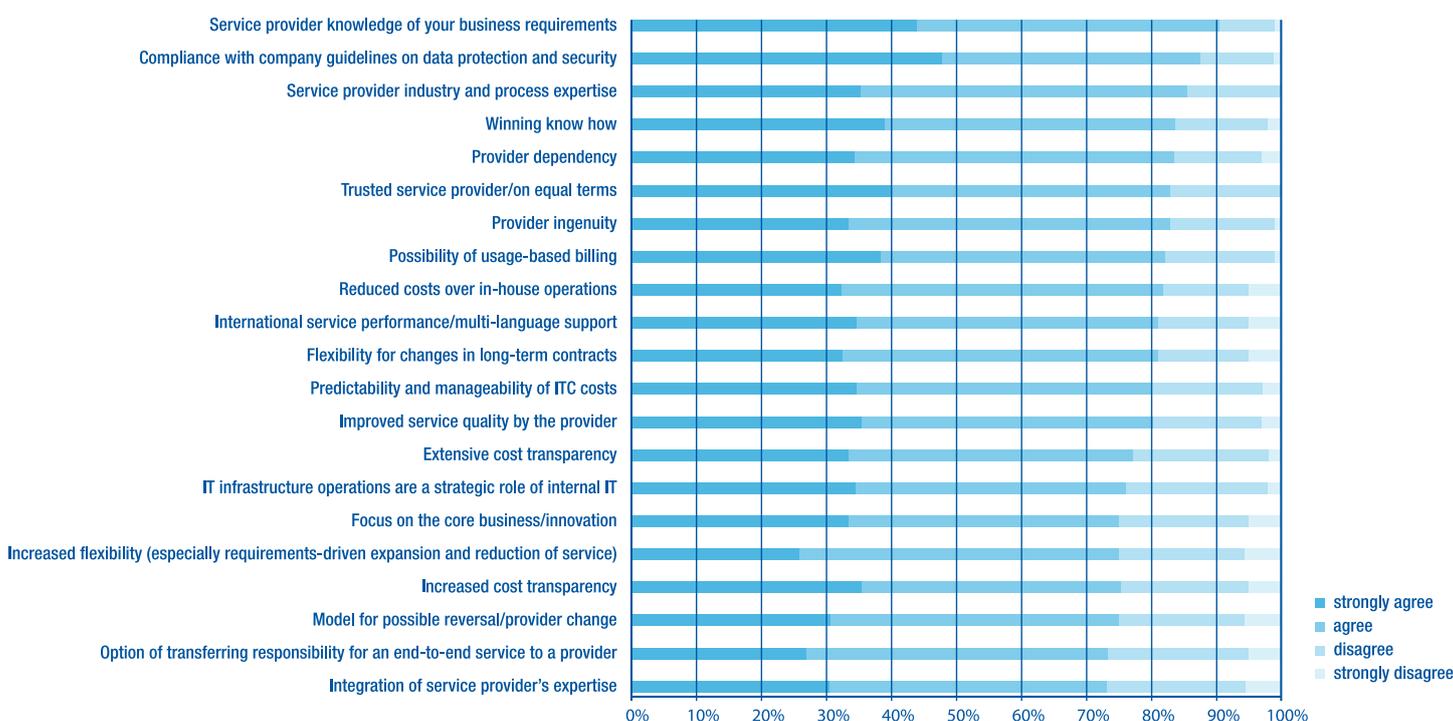


Figure: How would you evaluate the following arguments for utilizing external service providers in your infrastructure operations?

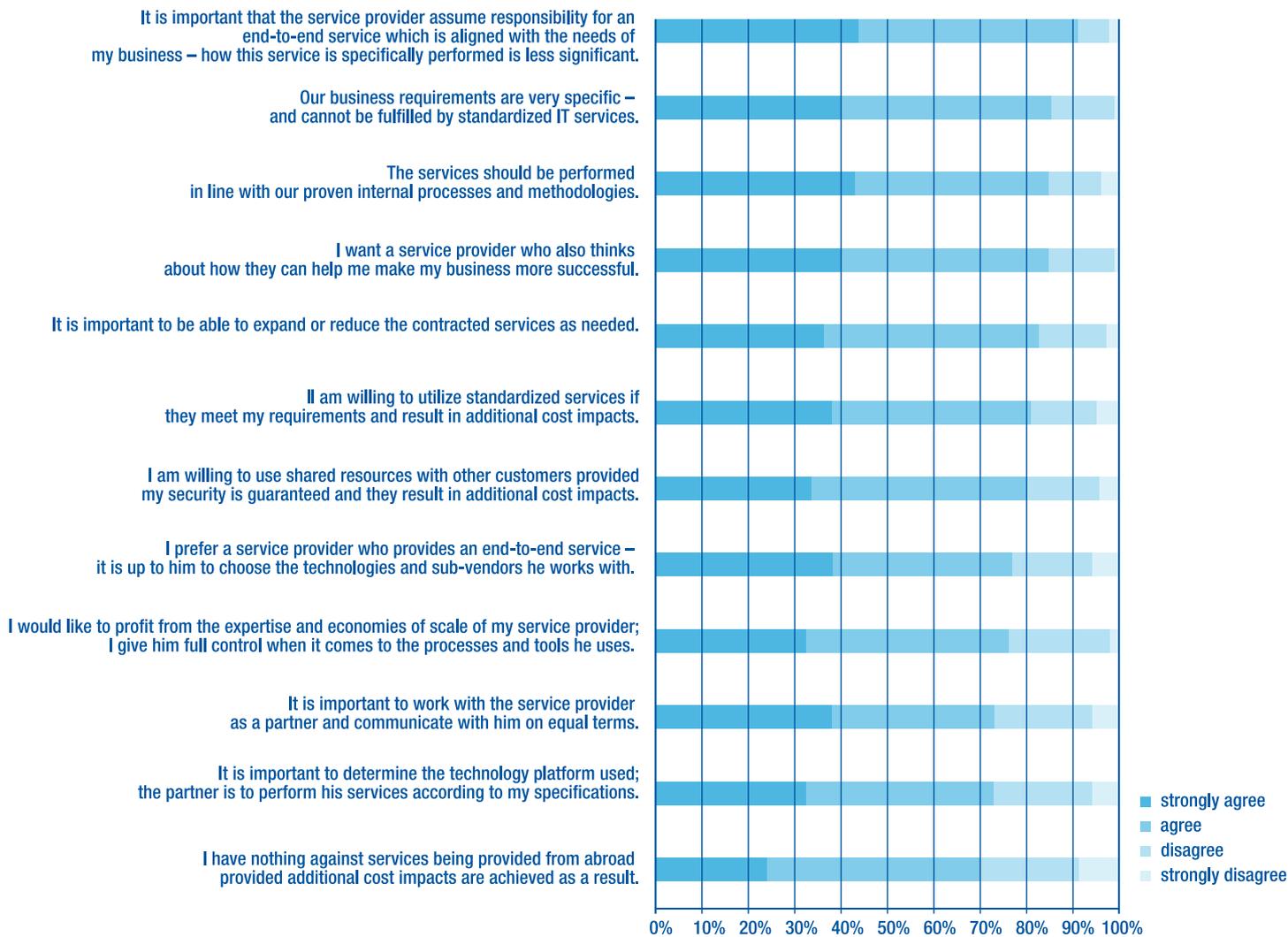


Figure: How would you evaluate the following statements with regard to an outsourcing or managed services relationship?

At the same time, the services should also be “performed in line with the customer’s own processes and methodologies”. Still, over 70% of participants consider the “choice of technology platform” to be important to very important. Another 70% have no issues with the “use of services performed abroad” regardless of the size of the company. Only 9% rejected this categorically. The telecommunications industry, retailers and the transportation & logistics sector were especially open to services performed outside of Germany. In contrast, the majority of banks were skeptical.

Overall, the results clearly show that customers specifically want to give the service provider more responsibility. Technical expertise and the ability to cut costs were prerequisites. Participants increasingly want service providers to be more business oriented and make innovative contributions towards the customer’s success.

In some cases, this was countered by the decision makers’ lack of willingness to give the IT partner full control when it comes to the provision of services. People were still skeptical of standardized services. End-to-end services were considered advantageous, but should be designed according to the company’s individual specifications.

Once again, it is clear that we are in a transitional phase. Classical outsourcing mostly involves very customized agreements, but primarily makes do by ensuring cost savings over in-house operations.

Next Generation Outsourcing/Outsourcing 2.0 is far more demanding, but also requires a greater division between the performance (“how is the service performed”) and the actual service to be delivered (“what is performed”).

It is not a question of “either or”. Instead, combined models which reflect more and more aspects of Outsourcing 2.0 are becoming established within the outsourcing landscape. These provide customers the right mix of customized and standardized services to meet their specific requirements.

Computacenter is a pioneering service provider who thoroughly understands this “new world of outsourcing”. Computacenter’s “Outsourcing 2.0” concept as well as several existing Outsourcing 2.0 partnerships are introduced in the following.

3. Computacenter Outsourcing 2.0

3.1. Computacenter's profile

With nearly 10,200 employees and 2008 sales totalling 3.22 billion euros, Computacenter is one of Europe's leading IT service providers. An area-wide network of locations in Germany, England, France and Benelux as well as international partners in Europe, Asia and North America ensure close, local relationships with our customers.

Computacenter has around 4,000 employees at its 22 locations across Germany, which generated sales of over one billion euros in 2008. A network of sales and service locations as well as a nationwide consulting and support organization ensure ideal coverage of the market. Our central Supply Chain Services in Kerpen, the Remote Operation (Network, Data Center) and SAP services in Kerpen, Nottingham and Cape Town, the Shared Data Center and Client Operation Center in Erfurt as well as service desks in Erfurt, Barcelona, Paris, Milton Keynes, Timisoara and Kuala Lumpur guarantee high-efficiency service performance.

On this basis, Computacenter develops, implements and operates customised IT solutions for its customers by working as a partner to IT departments. The aim is to create the greatest possible value for their businesses by using innovative and cost-effective technologies.

Over 80 qualified and certified partnerships with technology leaders like SUN, HP, Lenovo, FSC, EMC, Cisco, IBM, Microsoft, SAP, etc. ensure that the best possible solution from a variety of different vendors can be offered at attractive conditions. Computacenter bundles its portfolio of services in the areas of Technology Sourcing, Infrastructure Integration and Managed Services.

Technology Sourcing

With Computacenter, customers can meet all of their IT requirements from a single source. They profit from the multi-vendor orientation and the procurement volumes that help customer achieve good purchasing conditions. Computacenter can also offer customers the best solution at attractive prices thanks to specialized processes and strategic vendor partnerships.

Infrastructure Integration

Computacenter's consulting unit supports customers in the planning, design and implementation of IT equipment. Together with the customer, Computacenter develops solutions that cut costs, reduce administrative effort and offer more security. Experienced and certified project managers utilize quality-assured and standardized processes to achieve a high level of project quality – regardless of whether a new infrastructure is to be set up or a new technology integrated into an existing IT environment.

Managed Services

Within the managed services framework, Computacenter is responsible for managing its customers' IT business processes – from the outtasking of individual infrastructure areas to the complete outsourcing of IT workstation, computer center, network and telephony operations.

Computacenter sees the work of outtasking and outsourcing as a partnership on a contractual basis which can be adapted to changing framework conditions and evolving requirements in the customer's business model. Customers benefit from higher quality services at reduced and more transparent costs.

The company also offers customers the option of taking on employees for quality assurance purposes in the course of outsourcing projects.

Strict control mechanisms are in place to monitor the quality of the services performed. Computacenter seeks constant feedback from its customers to ensure the highest possible customer satisfaction and continuously improve services.

The IT service provider utilizes key methods and standards for the implementation and optimization of IT service processes. It was one of the first companies to align its own performance structure with ITIL and have employees at all levels certified according to this standard.

With its Managed Services, Computacenter gives IT departments the opportunity to transfer parts of their infrastructure management and thus benefit from economies of scale as well as learning curve effects. This results in a greater degree of cost efficiency, quality optimization and opportunities for customers to focus on their core business.

It is possible to achieve special cost advantages through the extensive standardization of infrastructures and operating structures. "Computacenter Outsourcing 2.0" is another way in which the IT service provider accommodates customer demands for standardized and flexible Managed Services which can be adapted to business developments.

3.2. Computacenter Outsourcing 2.0

Outsourcing 2.0 is Computacenter’s concept of Next Generation Outsourcing. It provides as much individuality as needed with as much standardization as possible. It aims to maximize the added value for customers through the cost-effective and flexible provision of end-to-end services. The IT service provider assumes overall responsibility for providing end-to-end services and measures their quality in terms of compliance with service SLAs. Infrastructure-oriented SLAs are less of a priority.

Computacenter’s central factories ensure that the processes, tools and infrastructure used are highly standardized and extremely efficient. Customers benefit from the short implementation times and low costs, attractive pricing models and maximum transparency in operations.

Other advantages include the high flexibility in adapting capacities and services in response to changes or fluctuations in business. Services and processes are clearly defined in advance and subsequently billed according to the pay-as-you-use principle. At the touch of a button, the costs for each individual service or cost center are identified in our transparent pricing model with an automated billing process, available on our web-based billing and accounting portal. This keeps all expenses transparent and predictable for customers at all times.

In addition to providing the cost benefits of a virtual purchasing community, this “one-to-many” model also ensures that the IT infrastructure runs efficiently. Computacenter secures quality and efficiency by utilizing standardized ITIL-compliant operating processes, the Computacenter Service Management Toolsuite (SMTS) the central service factories and Remote Operations Centers in Erfurt, Kerpen, Nottingham and Cape Town as well as the computer centers in Frankfurt, Nottingham, Hatfield and Cape Town. Help desks in Erfurt, Barcelona, Milton Keynes, Kuala Lumpur, Timisoara and Paris are the central points of contact for all customers and meet the multi-language requirements of international customers. Computacenter Outsourcing 2.0 services cover the entire IT infrastructure: Managed Print Services, Managed Data Center Services (MDS), Managed Network Services, Managed Desktop Environment (MDE) and Managed Voice Services.

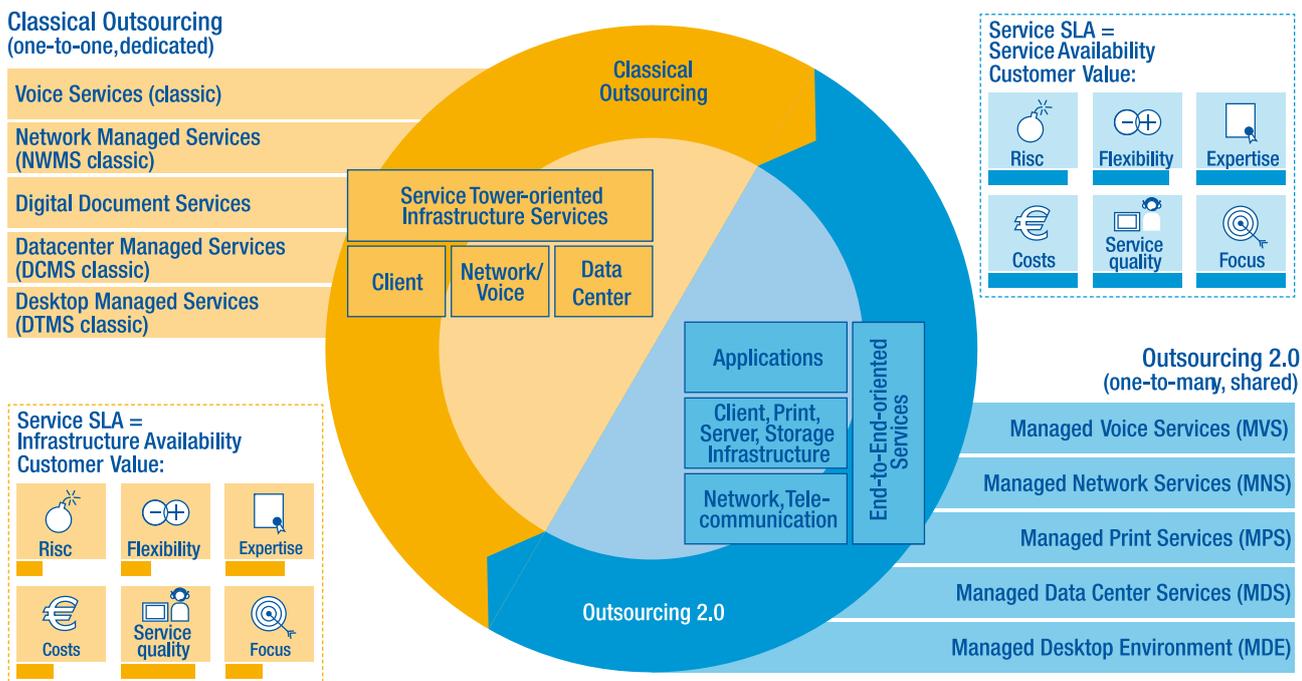


Figure: Computacenter Managed Services: Classical vs. Outsourcing 2.0

Computacenter Outsourcing 2.0 Services in detail:

Managed Desktop Environment Services, MDE

MDE covers the entire client lifecycle by providing end-to-end services in line with Outsourcing 2.0. Computacenter supplies the customer with fully operational workstations within arranged end-to-end service SLAs at transparent and calculable prices.

The greatest added value of this model for customers is that costs can be reduced considerably while service quality and availability are increased, easing the everyday workload for IT managers.

Computacenter is able to achieve this primarily by bundling its operations and integration work in a central service factory, the Client Operation Center (COC). The tool-supported and highly standardized service processes for the entire lifecycle of IT workstations all converge here.

The software and hardware are certified for use in the customer’s network in the COC to eliminate any potential conflicts in advance. In this way, Computacenter guarantees system stability even before the first workstation has been installed. The services also include the procurement of systems and the rollout of a pre-defined standard client build in the customer’s IT landscape – from one location to all customer sites nationwide, or even around the globe.

MDE is also responsible for asset and license management. Thanks to our IMAC and Break & Fix services and defined service levels, we can ensure that users always have the functionality they need. Naturally, this also includes the software packaging, automated software distribution including release and patch management as well as a comprehensive client security solution (anti-virus, local firewall, etc.) to guarantee the best possible protection.

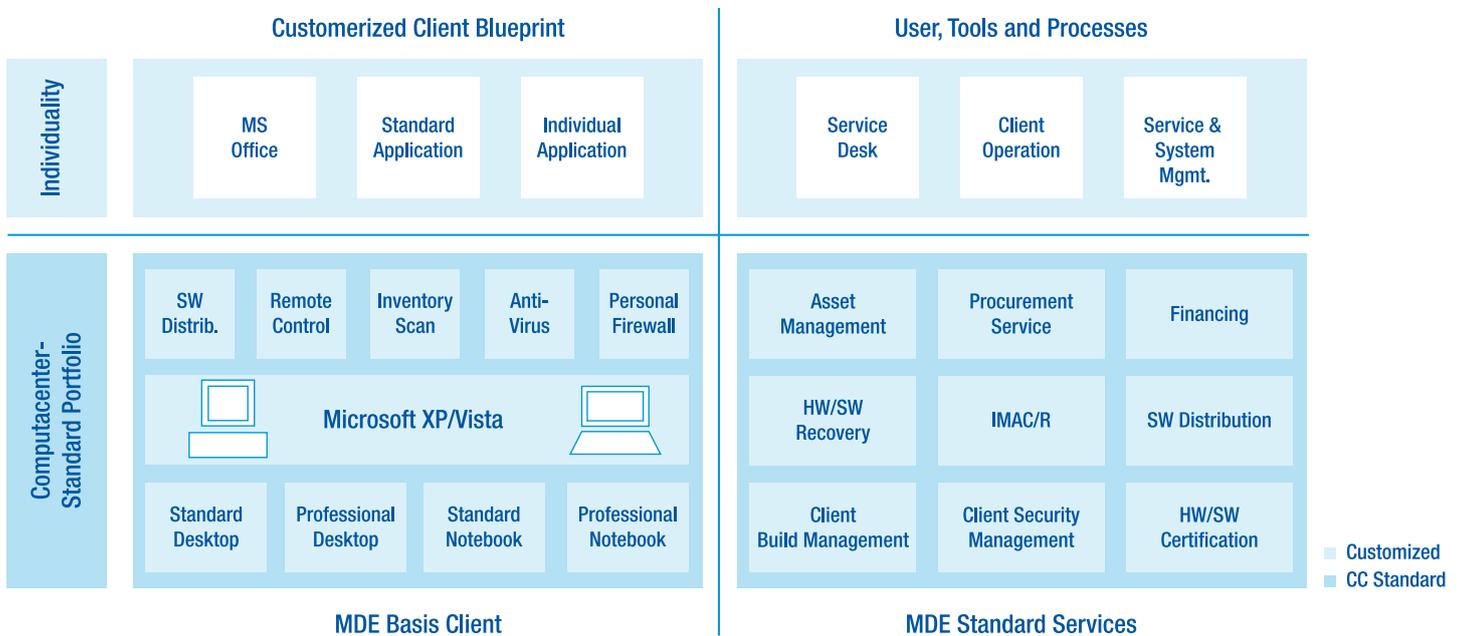


Figure: Managed Desktop Environment Services

Managed Data Center Services, MDS

Computacenter's Managed Data Center Services fulfill all of the requirements of a modern and secure computer center. This includes the physical security and technical availability of the entire infrastructure as well as service reliability, security and revision conformity in the event of a disaster – all combined with the highly flexible use of resources.

Computacenter performs these services from two physically separate, independent and linked computer centers as seen in the example of the German location. The buildings, located in the eastern and western parts of Frankfurt, are connected to different power grids and equipped with their own diesel generators to supply emergency power.

The facilities of the shared data center correspond to the currently valid guidelines established by the Federal Office for Information Security (BSI). A six-level security system is in place to ensure physical security, and technical security is guaranteed through a hazard alert and building management system – 365 days a year.

The security regulations are certified in accordance with ISO 27001 of the BSI and correspond to those used at the computer center of the German Central Bank. Additional computer centers in Cape Town, Nottingham and Hatfield supplement the international service capabilities in this area.

Like all Outsourcing 2.0 services, they guarantee great flexibility in adapting capacities and services in response to changes and fluctuations in business. In this case as well, services and processes are clearly defined and established in advance and subsequently billed according to usage.

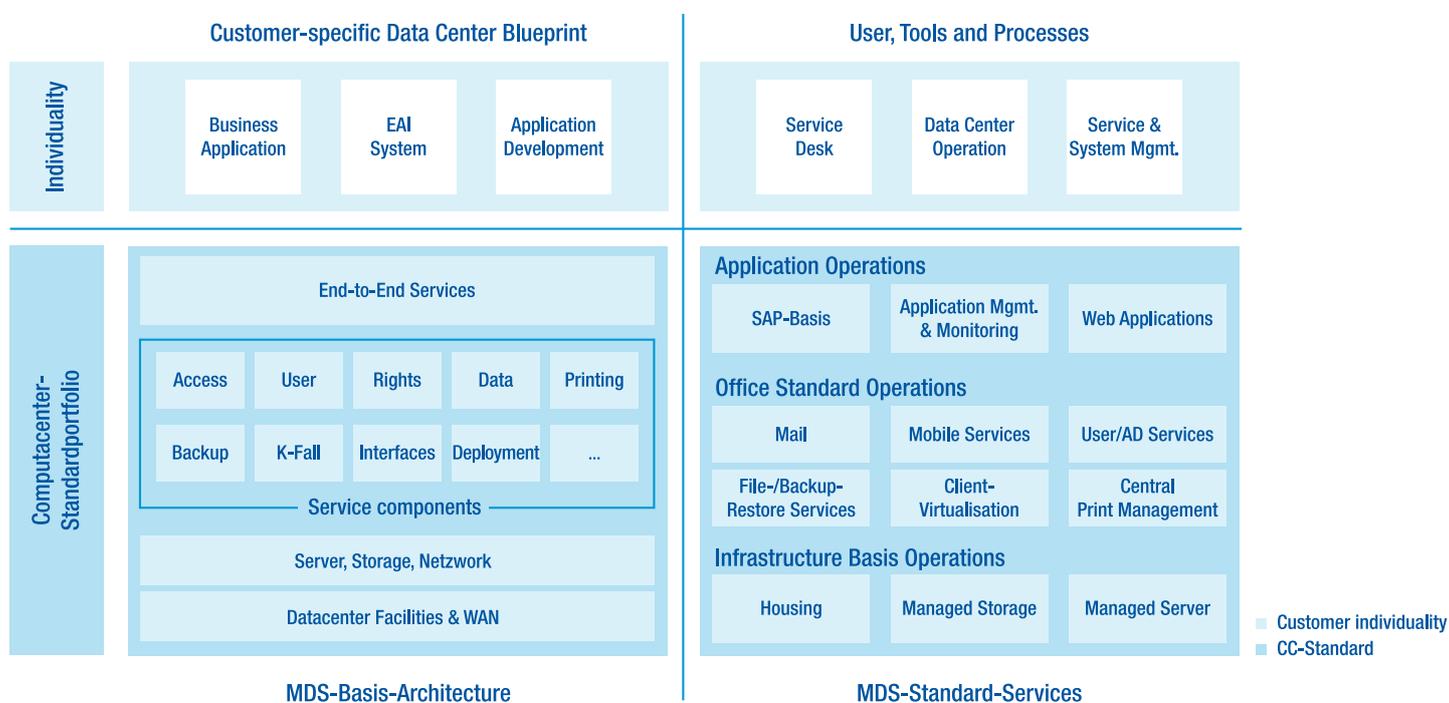


Figure: Managed Data Center Services

Computacenter assumes end-to-end responsibility for each service and its available in its **client-oriented computer center services** – including centralized file, print, mail and storage environments. Despite their high level of standardization, the functionality and price of these services can be adapted to the needs of the company as well as users.

“Infrastructure Services” (Utility Computing Services) allow companies to utilize standard computer center services and the central infrastructure of the Computacenter computer center, server and storage infrastructure as well as backup. Customers use them to operate their own services and applications. Using a computer center and management environment (Shared Data Center) with other companies creates synergies that Computacenter passes on to its customers. Computacenter offers physical and virtual server classes as well as various storage classes in line with the customer’s specific quality and availability requirements in a uniform and highly standardized shopping basket. Clearly defined and constantly measured SLAs guarantee the necessary transparency of the provided service products according to the end-to-end service principle. This approach is based on the pay-as-you-use concept, which allows requirements to be adapted flexibly to each business.

With the **“Application Platform Services”** (Utility Platform Services), Computacenter guarantees the end-to-end availability of SAP Basis, web and database operating services. The security, availability and performance of complex application landscapes are ensured around the clock. Changes may not interrupt operations or detract from the dynamic nature of company requirements. These services focus on ensuring highly professional operations while supporting the company’s constant development. They also accommodate the special requirements of these application environments. Computacenter takes over the end-to-end responsibility for the trouble-free operation of applications and the central infrastructure in complex environments consisting of databases, portals, webshops, network and security components.

One particular example of Computacenter’s ingenuity is the SAP computer center: The greatest adaptive computing landscape for SAP received the HP Partner Award 2007 in the category of “innovation”. Computacenter used its creativity and expertise to develop an innovative solution for the very complex topic of adaptive computing in the SAP environment.

Managed Network Services, MNS

Due to the different bandwidths required for everything from desktops to respective applications, growing employee mobility and the variety of access technologies used, it is increasingly important for companies to have a single provider who assumes “end-to-end responsibility” for all communication lines.

Companies need network services which are both reliable and efficiently managed. Computacenter provides qualified advice and performs network operations services. The Managed Network Services provide scalable solutions for all network components as well as security, VPN and voiceover IP infrastructures – at a fixed price per port including the necessary hardware. Computacenter has many years of experience in working with carriers, is familiar with specific application requirements, advises customers in selecting carriers and involves the corresponding partners in the overall multi-carrier management solution.

This includes system management – with required performance management – and on-site troubleshooting, carrier management as well as true third level support with direct vendor contact. The specialized Remote Operations Center already assumes this responsibility for many customers, both in Germany and abroad. Over 300,000 ports are fully operated in this scope of service in the automotive sector alone. Services are performed for over 10,000 users around the world – 24 hours a day, seven days a week. Computacenter supports network environments with all types of architectures and levels of complexity – including security systems like virus protection systems, PKI environments, intrusion detection systems, firewalls and access authentications, as well as LAN and WAN components or voice infrastructures (for TC and IP telephony).

Managed Voice Services, MVoS

IP-based telephony solutions have become marketable in recent years. Their attractive features are increasingly replacing conventional TC systems and devices. Integrating company data and applications into the communication solutions opens up a variety of new possibilities, but also involves new challenges: Architectures are becoming more complex. Basic knowledge of phone systems is not enough to operate high availability, converging or IP telephony solutions. Instead, it is necessary to have extensive knowledge of networks, server solutions and clients/devices operations as well as applications and their integration. Computacenter offers a high-availability, flexible telephony solution at a fixed monthly rate per phone, including the necessary services and infrastructure, as part of its Managed Voice Services in the Outsourcing 2.0 portfolio. The company supplies devices from market leaders Cisco and Alcatel. The comprehensive solution from a single specialist provides reliable telephony services at costs which can be calculated precisely to reflect the needs of the customer's business. Thanks to the standardized processes and experienced professionals at Computacenter, migrating to an IP telephony solution is simple.

Managed Print Services, MPS

Managed Print Services provide a homogeneous printer landscape to ensure ideal operations. This is achieved through rapid recovery in the event of malfunctions as well as the supply of required consumable materials. Remote services are used to secure maintenance windows, manage toner supplies, read counters and issue reports to the customers. In addition, Computacenter manages and optimizes the office and ERP print flows to ensure that the employee can pick up his printout at the intended output device according to the follow-me principle. Customers can achieve considerable potential savings by using more cost-effective and better organized printing procedures in conjunction with a pay-per-use model. This includes improved system utilization and far lower supply costs for consumable materials. Customers also profit from more extensive functionalities such as the follow-me principle and far superior system availability by adopting landscapes with standardized devices, which require less administration.

3.3. Computacenter Outsourcing 2.0 in practice

Three customers who consider themselves pioneers in Next Generation Outsourcing and use extensive parts of the Computacenter Outsourcing 2.0 concept are presented in the following.

3.3.1. Reference Cognis Group

The Cognis Group relies on Computacenter's Outsourcing 2.0 portfolio to optimize its entire IT environment – from Managed Data Center Services (MDS) and Managed Desktop Environment (MDE) to Managed Network Services (MNS).

Cognis is a globally active provider of innovative specialty chemical products and ingredients for foodstuffs. The company focuses specifically on the trends of wellness and sustainability. Other key products are designed for industrial markets, such as paints and varnishes, lubricants, agriculture and mining. Pulcra Chemicals, a subsidiary, offers specialized products and advice for customers in the synthetic fiber, textile and leather industries. Cognis also owns half of the joint venture Cognis Oleochemicals, one of the world's leading providers of oleochemical materials. In 2007, Cognis generated total sales of around 3.52 billion euros. The company has around 7,600 employees who work at production facilities and service centers in 30 countries.

Computacenter manages a total of 6,300 IT workstations at around 70 locations in 30 countries. The consistent standardization and consolidation of all IT divisions are the primary goal in establishing a simple and flexible infrastructure.

Cognis uses the advantages of standardized end-to-end services which Computacenter offers several customers in a one-to-many model. Outsourcing 2.0 is a transparent and successful strategy for Cognis thanks to the high degree of standardization in the organization, processes, infrastructures and tools as well as the precise detailing of end-to-end services.

Ralf Stalinski, CIO at Cognis Group at the time of the study: *“Every day, we need to manage 20,000 devices, send and receive 300,000 e-mails via our mail server and execute hundreds of thousands of SAP transactions. I trust Computacenter to handle these tasks because I know that they do their job well.”*

The services are billed according to actual usage (pay as you use) and can be compared in a defined corridor as needed. This allows Cognis to respond flexibly to fluctuations in business. A series of services can also be scaled up or down depending on actual requirements.

“We chose outsourcing to achieve more efficient processes and greater flexibility, which would enable us to respond more quickly and effectively to changing market conditions.”

Service level agreements (SLAs) are used to clearly define and measure service availability. These ensure that reliable IT and computer center operations are transparent at all times. Computacenter can use the integrated Tool Suite for service and system management to effectively manage and monitor the IT processes at any time.

“It is important to me that the processes are reliable and run perfectly, regardless of the technology used.”

The international service center (ISC) is the central point of contact for all Cognis inquiries. This Computacenter service desk offers support in 14 languages. It offers first and second level support, making it the decisive liaison for trouble-free operations.

3.3.2. Reference Union Investment

The DZ Bank Group and its subsidiaries, including Union Investment, decided to establish the conditions for a consistent and scalable infrastructure in the desktop services environment throughout the entire group. On the one hand, the main factors in this decision involved cutting costs and utilizing synergies through the bundled and group-wide provision of desktop services. On the other, the management wanted to standardize IT systems throughout the group and work with only one service provider for any future hardware procurement and financing. The main prerequisite which topped all other considerations was that the services needed to be flexible to use. The other parts of the group should be given the opportunity to access services as needed.

Active in the investment fund business since 1956, Union Investment Group currently has over 171 billion euros in assets under management. With 2,200 employees, it is one of the Germany's largest asset managers for private and institutional investors. The group is represented on the international financial markets by subsidiaries and branch offices as well as strategic cooperations with institutional partners. About four million customers have invested their assets in UnionDepot and use the wide variety of services available for this fund.

After a bidding process, the management chose Computacenter to be the general contractor for each location to commission individually. The IT service provider fulfilled all requirements of DZ Bank Group regarding the scope of the Managed Services, computer center services, the transfer of assets and banking regulations, such as the PSF certification for Luxemburg or the recognition of BaFIN and CSSF specifications.

Computacenter provides all standard customer-oriented services, such as logon, file, print and mail services, to Union Investment according to their actual requirements and on a pay-per-use basis through its Managed Data Center Services. Employees can also contact the IT service desk established for the customer if they need any assistance.

Computacenter also supplies Union Investment with standardized desktops which can be adapted to meet the users' individual requirements. The agreement also covers the provision and operations of the corresponding software including IMAC/R/D services, IT asset management as well as software packaging and distribution. Using Computacenter's web-based accounting portal, Union Investment can access their monthly bill for pay-per-use services anytime.

4. Summary and outlook

The results of the survey clearly show that service providers will face higher expectations as Next Generation Outsourcing/Outsourcing 2.0 becomes established. In addition to providing technological expertise and cost-efficient services, outsourcing partners will need to be more business oriented and assume greater responsibilities.

The cost benefit is and remains the decisive factor in considering an outsourcing strategy. At the same time, demands on external partners will continue to evolve as IT departments change in their role from cost center to enabler and driver of innovation within the business. Survey results show that the aspects of business alignment, ingenuity, trust/“working as equals” and the option of usage-based billing were considered more important than costs when choosing a service provider.

Nevertheless, the sometimes contradictory statements provided by the decision makers surveyed emphasize once again that we are in a transitional phase. There is no clear picture, especially when it comes to topics such as standardization, shared services or the abandonment of company-own technologies or processes in favor of the service provider's.

Over 80% of survey participants were willing to utilize standardized services provided they effectively cut costs. On the other hand, over 86% of respondents doubt that standardized IT services will meet their business requirements.

Another 90% also said that it was important for the service provider to assume responsibility for an end-to-end service aligned with the business needs of the company. These services should also be “performed in line with the customer's own processes and methodologies”. Yet, 70% of respondents considered the “selection of the technology platform” as important to very important.

In other words, many customers have very ambivalent attitudes on the subject of outsourcing. The cost benefits of standardized infrastructures and operating processes as well as the shared use of central service factories are very clear. At the same time, there is widespread skepticism about these types of service performance.

This is the very strength of Outsourcing 2.0. IT operations do not have to be completely customized or fully standardized. It is not a question of “either or”.

The core of the outsourcing 2.0 concept lies specifically in the individual combination of standardized service modules to meet specific customer requirements. The services performed in central factories are integrated wherever possible and practical to achieve additional cost impacts.

The many attempts to achieve “universal IT solutions” which can be used for every customer and business process remains a vision, at least when it comes to complex services and applications. The Outsourcing 2.0 concept is another step in the right direction.

The partner assumes responsibility for operating an end-to-end service in line with the customer's business requirements. SLAs for service availability replace those for the availability of individual infrastructure components.

Finally, the question of “how is the service performed” will become less and less significant when compared to this one: “What service is provided, and what value does this create for my business?”.



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