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ING Multi-Vendor Sourcing: The Supplier Perspective

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ING multi-vendor sourcing: the supplier perspective

Key messages

» In 2005, ING's multi-vendor sourcing approach for 53.000 desktops was a landmark example of 3rd generation outsourcing. One year on, both client and supplier are happy with the results so far.

» Multi-vendor sourcing requires a specific approach in each phase of the engagement. Although ING got it right most of the time, multi vendor constructs can have even bigger benefits if some of the experience is applied.

ING according to ING in 2006 (1)

Top 20 financial institutions in europe

#	Name	Market value in EUR billion as of 29 December 2006
1	HSBC HOLDINGS	160.2
2	UBS	96.5
3	ROYAL BANK SCOTLAND	94.8
4	BANCO SANTANDER	88.3
5	BNPPARIBAS	76.9
6	ING	74.6
7	BARCLAYS	71.6
8	UNICREDITO	69.6
9	ALLIANZ	67.2
10	BBVA	64.9
11	HALIFAX BANK OF SCOTLAND	64.5
12	CREDIT SUISSE GROUP	64.5
13	AXA	64.1
14	SOCIETE GENERALE	59.6
15	DEUTSCHE BANK	52.9
16	LLOYDS TSB GROUP	48.2
17	CREDIT AGRICOLE	47.9
18	ABN AMRO	47.1
19	GENERALI	42.7
20	FORTIS	42.5

Source: Bloomberg

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ING according to ING in 2006 (2)

Benchmark

	Top Bank	ING	
•Number of Applications	350*	3500	(for NL and BE)
•Maintenance spend	1.0%	3.7%	of operating income
•Application spend on change	45%	11%	of apps on change
•Data Centre spend	2.4%	3.6%	of operating income
•Data Centre Utilization	70%	25%	mainframe
•Development spend	2.4%	3.0%	of operating income
•Flexibility of applications	20-40%	40-60%	customised
•Desktop/helpdesk spend	0.6%	1.3%	of operating income
•Software spend	1.7%	1.8%	of operating income
•Hardware spend	1.5%	2.2%	of operating income

** Per country*

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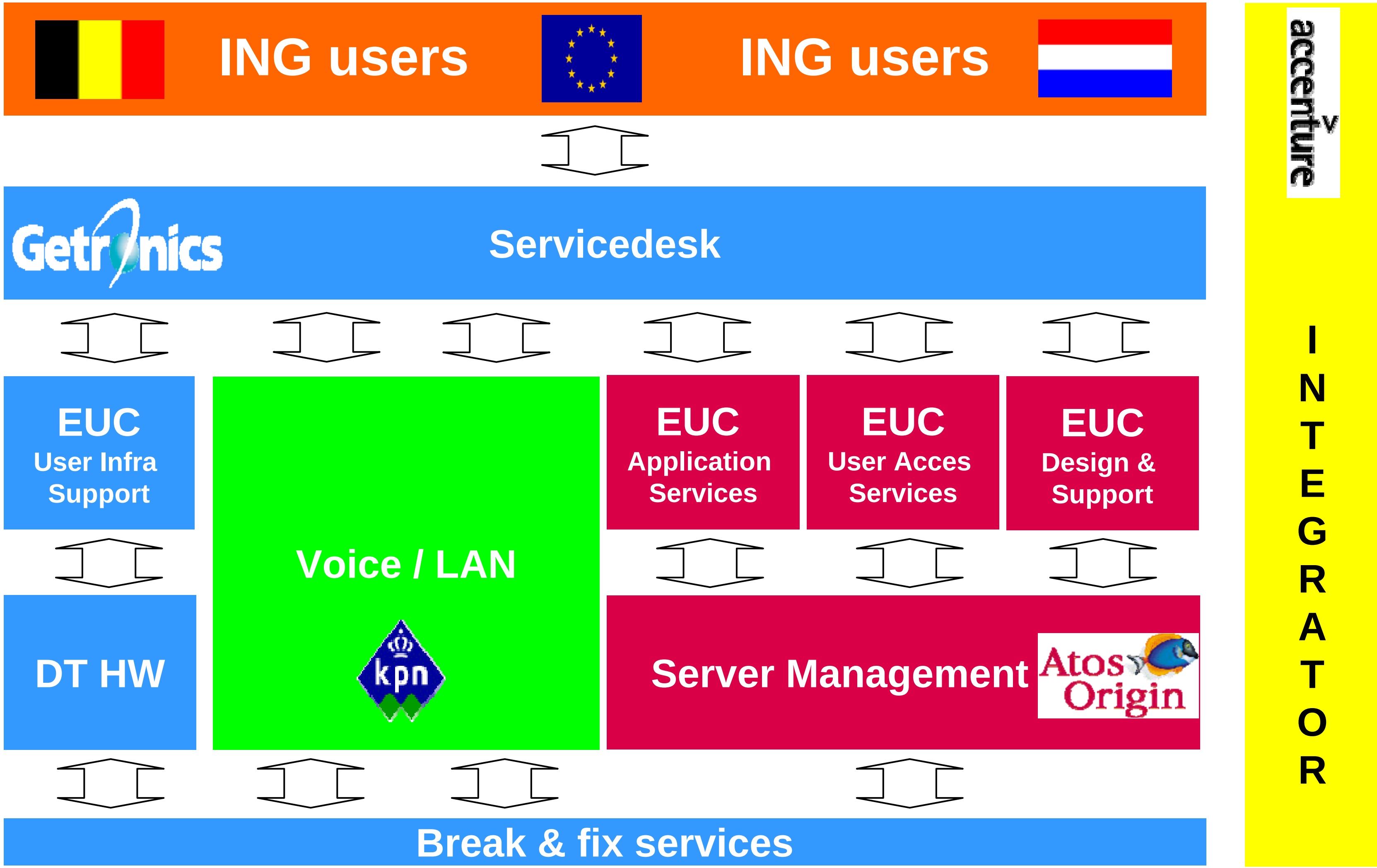
ING Desktop Sourcing 2005 - 2006

- Started with a request to form Preferred Supplier Teams. ‘No one will get this alone’ - [Accenture], Atos Origin, Getronics, KPN
- Integrator part of Preferred Supplier Team *not allowed to operate in bundles*
- Many contenders refused to accept model – eliminated
- Various groups of contenders could not keep team together - dropped
- Several potential integrators refused to be part of Preferred Supplier Team
- After down select, one supplier was requested to withdraw from our Team, and was replaced by a supplier from another team

The model surprised the industry in the Netherlands – everybody calling the client crazy…

ING 2006: Desktop



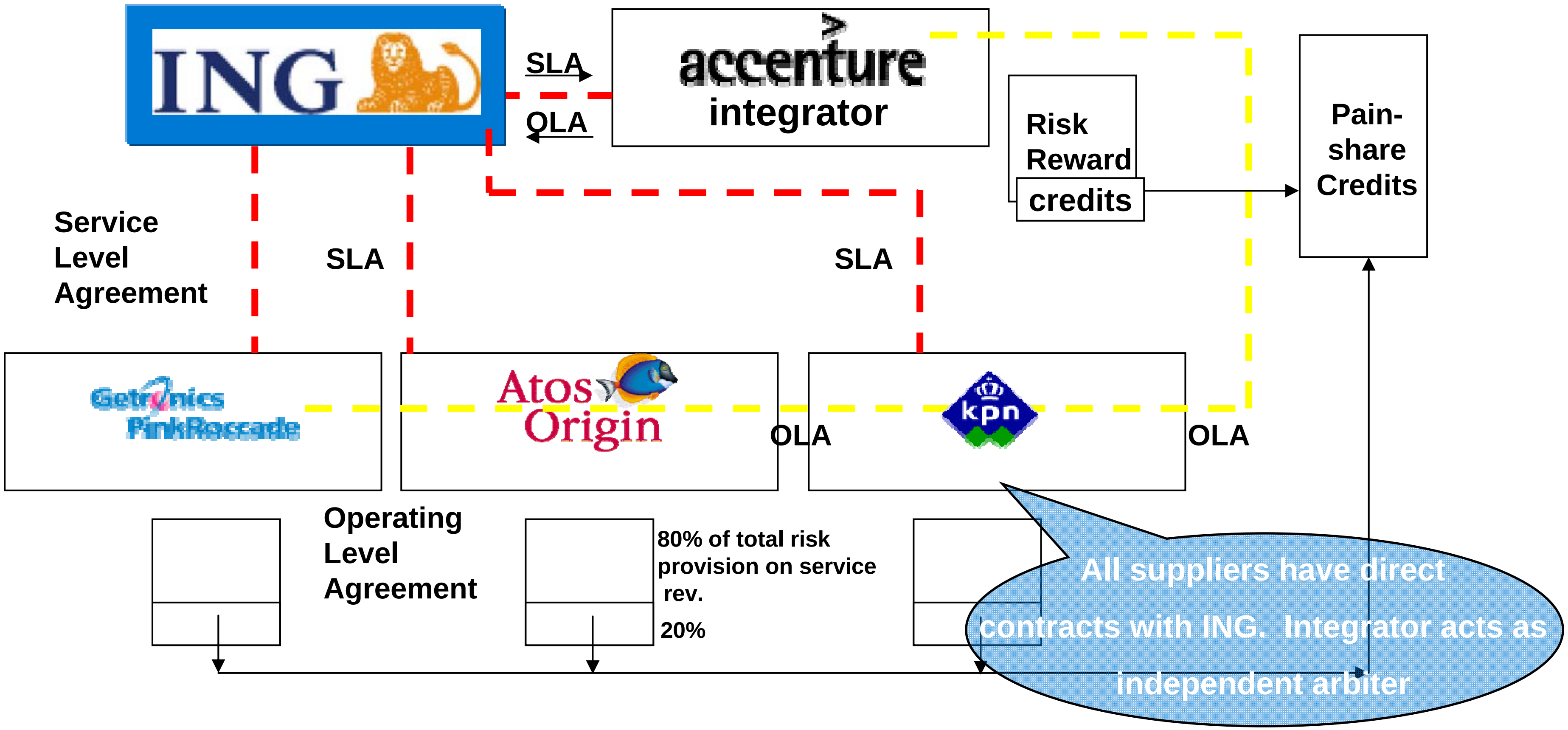
Characteristics of multi-vendor engagements

- Environment of high ambiguity – no perfect fit partners available
  - Potential partners are usually competitors in other deals
  - Some of your fiercest competitors have the best offers
  - Division of work often not clear
  - Changing likes and dislikes of customer
  - Gaps between global position/ambition and local competence of partners
- Fear of exposing sensitive information, e.g.:
  - Competing solutions
  - Calculation models
  - Solution architects
- Atmosphere of continuous negotiation – internal, with customer, with partners

Suppliers have to get used to some 'paradigm shifts' in thinking

Behind the scenes….

Pain-share mechanisms, checks and balances…
it can certainly *look* like a nightmare



However, internal structure in single source deals can be hellish too…

Lessons Learnt

- Many strategic advantages – downsides are mostly of practical and tactical nature
- RFP phase: make sure you don't disqualify too many players too early, just because they did not get the right coalition going. You may want to swap them in later…
- Added value of the integrator is mostly practical – and should be run by seasoned contract managers, not consultants.
- Good information on your infrastructure and on Total Cost are key to a sound long term relationship

Conclusions

1. Multi vendor sourcing and more ambiguous engagement models are here to stay. It is part of the new maturity phase in the market and vendors will have to adapt

2. To win in multi-vendor environments suppliers have to get used to some ‘paradigm shifts’ in thinking:
   » my competitor is my friend
   » 70% chance to win 200 million better than 10% chance to win 700 million
   » less is more

3. As a challenger to TIER 1 players IBM, EDS, HP and Accenture, the multi-vendor trend is positive for Atos Origin. We can credibly claim a culture of cooperation and have great references such as the Olympic Games

…and that apparently most obvious cliché of all: the customer is always right...

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Any Questions?