



Advisory Report

The BT-HP Alliance Is Going Strong After Four Years



Dustin Kehoe
Principal Analyst, Business Telecom Services Europe

November 3, 2008

■ Summary

By most accounts, the BT-HP alliance has been successful. Four years into it, the duo has signed over 70 deals (up from 41 customers announced in August 2007) and generated around \$3.3 billion in sales order value which has more than doubled over the past 15 months. The alliance's largest customer is now Proctor & Gamble which has a \$600 million contract and prior to this Anglo American at \$450 million signed in May 2007 was the biggest contract. Unlike 'marriages of convenience' between a large systems integrator and major telecom service providers which are ad-hoc and based around a single deal, the BT/HP alliance can point to a mature relationship. They have developed a uniform methodology to work with each other, partners, and customers (and in some cases competitors) and invested significantly in offering integrated customer portals. This advisory reviews this relationship, some of its underlying success factors, and considers the challenges and opportunities ahead.

■ Current Perspective

Unlike most carriers and system integrators that 'team up' to win one major outsourcing or transformation deal, BT and HP have forged a formal alliance (based initially on reciprocal business) to target select global MNC accounts. BT, for its part, has been able to differentiate from the carrier pack in Europe by pointing to a 'go-to' partner for supporting large scale system integration projects that generally fall outside of its core IT skill set. BT tends to formally acknowledge that there are outsourcing projects outside of its 'comfort zone' whereas most competitors tend to gloss this over and will partner 'reactively' as different opportunities arise. In many cases, traditional carriers are the secondary suppliers and the scope of the deal is confined to an operator's domestic market (even in cases where their capabilities are global). The BT/HP alliance has been able to stand out in Europe. Instead of a partnership behind the scenes, it is well marketed (unlike IBM and AT&T). It has lasted now more than four years, has signed on 72 customers and the projects are global.

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Report:

**The BT-HP Alliance
Is Going Strong After
Four Years****Governance, Multi-sourcing, and E-Bonding**

So what is behind the alliance? It has sponsorship and active participation from the CEOs of both companies and a formal governance model which spans several layers. The starting point of the alliance is a joint sales plan, and customer review board across the regions. On top of this, it has a joint operations and joint strategy which are overseen by additional review boards. And finally, there is a joint executive board which is where the two CEOs sit. All levels of the alliance appear to meet at regular intervals. Joint sales engagement tend to come into play during the early phases of the contract (e.g., contract negotiation and solution design) and contract governance tends to come in at transformation and service delivery phases. In each case, governance decides which 'Alliance Partner' can act as the lead for service delivery. Although many alliances have very similar governance models (e.g., T-Systems/Cognizant), the BT/HP alliance has withstood several CEO departures in four years, appears to have gained momentum over the past 18 months.

The alliance has also developed a platform with standard IT systems and processes to ensure its partners collaborate with one another to achieve service delivery targets and offer strong service level management. This is designed for enabling the companies to integrate and manage multiple suppliers in a coordinated way. To date, the alliance works with 40 partners. This includes principally vendors and ISVs as well as direct competitors. However, the platform is designed in a way where the politics of being direct competitors cannot stand in the way of the interest of the customer. The alliance attempts to deliver more value, through an integrated contract with partners and suppliers, in a way that maximizes value and minimizes risk. This can be challenging as with any customer project could involve managing a coalition of direct competitors, turned partners.

Closely linked with collaboration is transparency. The alliance offers customers an integrated portal which works by offering customers, irrespective of their choice of primary supplier, the ability to have total integrated view over the performance and management of services. The portal includes incident management exchange (e.g., e-bonding), service management (e.g., self-service interface) which are heavily linked to ITIL principles. In addition, service requests are supported by a published catalogue of BT/HP products as well as partners that are accessible by the customers. The alliance has invested considerably (to the tune of EUR 10 million per year) on supporting back-end integration. BT-HP reports that the new integrated service delivery platform has reduced downtime by up to 20%, incidents by 30%, and has led to more radical improvements in provisioning times (e.g., operational improvements up 60%).

The Uncertainties

While the BT/HP alliance tends to target MNC accounts with a minimum contract spend of around EUR 50 million, there is nothing really etched in stone. Some contracts have been for half of this amount. Also while most customers tend to be looking for transformational services, both members of the alliance are vague on what they consider their 'sweet spot' account. For example, there is very little messaging around what services it can deliver as an 'integrated provider' better than competitors, or key coverage areas where they excel in service delivery. The messaging is very general about the synergies of 'Network and IT.' Any specifics are down to individual customer deployments which all vary.

While HP is clearly not looking to enter the global MPLS market and BT does not want to be a major equipment manufacturer, there is some overlap in their portfolio. For example, both providers do offer data centre services (e.g., server and application management, virtualization solutions, business continuity, etc.) and this could lead to some uncomfortable

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sales conflicts. This will become more noticeable in areas such as utility computing and SaaS (Software as a Service) as BT continue to fill out the pieces behind its Virtual Data Centre vision. At the same time, there are little signs that they are cooperating in these areas either for the time being. (BT does not offer SaaS outside the UK and HP is an early mover in this market thanks to its acquisition of Mercury). Perhaps BT is an HP SaaS customer.

In addition, they do not appear to be cooperating much around desktop management where BT has no offer and may need a partner like HP to differentiate between integrated operators, such as KPN/Getronics and T-Systems. Other global operators are actively developing this area now whereas BT/HP is keeping its card close to its chest. This could be another pressure point. BT has delivered a thin client concept in Germany which may appear in other markets. The jury is out. Finally, the alliance is also confronted with two challenges. The first has to do the impact of the EDS integration and the second is whether last week's departure of Francois Barrault (following an unexpected 'trading statement') will have any impact?

The Opportunities

While BT-HP has a strong alliance to the benefit of both partners, there are opportunities for carriers to follow course. The convergence of IT and telecoms is creating new requirements for closer cooperation between carriers and integrators. The difference is that the new alliances should be much less ad-hoc, opportunistic, or revenue-based. They should be supported by some level of investment and based on an existing business relationship that is well managed and based on trust. However the change in partnership model may also be forced upon integrators and carriers due to outside pressure.

For example, the KPN acquisition of Getronics is allowing the company to offer its largest accounts a single point of contact, single contract, and SLA and this is already helping customers achieve more value than working with providers separately. T-Systems, a fierce IBM competitor in Germany are winning major contracts in the UK and Netherlands. Belgacom/Telindus are becoming more dangerous outside of Belgium and so on. There appears to be a general recognition that owning the network is strategic. Customers will no longer buy the SI argument that the network is a 'commodity' anymore than the 'telco' arguing the case for being able to offer SI capabilities (e.g., consulting and integration) through 'remote hands.' It is clear that no single provider will own all the pieces and will need to work collaboratively in the ecosystem.

Recommended Actions**Recommended Vendor Actions**

- While it is early days, ad-hoc partnerships will be more vulnerable against the more mature and established alliances, such as BT/HP (and potentially AT&T/IBM in the future). The more these new partnerships can show their ability to work together and produce solid customer benefits (e.g., getting more value from partners, or improving TCO/ROI metrics), there will be more stand-alone carriers and integrators may be forced to respond. Orange Business Services and Verizon Business are two examples of carriers that may need to rethink their existing models.
- Carriers and integrators should understand that while there is a strategic need to partner, there are (and will always be) imperfections. There will continue to be more areas where System Integrators and carriers will inevitably compete, especially as both camps continue

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to develop new services (especially around the data centre) and build up their professional services. Equally, both camps will need to find a way to work with each other to win more business. Outside of BT/HP, there are no real examples of similar alliances in Europe that are as active. Many global operators have yet to even announce a single win with a large SI.

- Network operators and integrators should also recognise that the partnerships are a necessity, but can never be exclusive. SIs will play favourites with other incumbents in markets where they can expect strong reciprocal business. Equally, operators will not walk away from a transformation deal if it means they have to go outside of a preferred partnership. As a result, the success of these alliances (even at the best of times) will have some inconsistencies on a global level.

Recommended User Actions

- Enterprise customers should be aware that BT/HP are building a range of reference customers citing many benefits such as 'economies of scale,' lower rates, globally consistent service levels and flexible contracts. Others customers have also benefited in their view from more simplified computing and network environment that could not be achieved by either entity acting alone. While other network operators and SIs have similar partnerships, there are no comparable examples of similar agreements where both parties are investing in people, processes and platforms to deliver a consistent integrated offer over time.
- Traditional integrators and telcos still have their core services heritage that make them distinct from one another. While traditional SIs take a consulting-led approach to engagements and focus on solving specific business issues (e.g., operational transformation, organizational change, BPO, etc.), the carrier will offer 'managed services' around the core network. But as they continue to extend this deeper into the LAN environment and offer consulting and integration, there will inevitably be more competition between these two camps and the boundaries blur.
- Enterprise customers should be aware that the alliance is also cooperating in new areas such as Green IT. For example, BT offers a Carbon Impact Assessment service which it has used internally to identify opportunities to reduce emissions and Co2 within its own data centres. HP also offers a Thermal Assessment service allowing customers to redesign facilities to improve energy efficiency (e.g., cooling and power). The alliance is cooperating in this area which is another way they stand out from many ad-hoc partnerships.



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- Business Continuity
- Portfolio Depth and Pricing
- Performance and Scale

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- Increase awareness and knowledge of competing products
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- Compete more effectively by understanding buying criteria
- Improve messaging by understanding how to attack and defend against competitive positioning
- Save time comparing your most important competitors' strengths and weaknesses

The European Data Center Services market is growing significantly. Enterprises are putting more of their IT infrastructures in the data center to host a growing list of business-critical applications and are also moving to new utility computing models through the virtualization of computing resources to scale up or down to match IT capacity with changing demands. Virtualization is also used for increasing computing power with less physical infrastructure. IT managers are using a number of solutions to reduce server sprawl while controlling the proliferating costs on maintenance, administration, power, and cooling.

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- BT / HP
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- T-Systems
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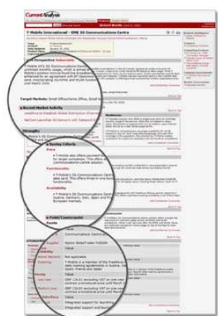
Dustin Kehoe
Principal Analyst,
Business Telecom
Services Europe

The new **Current Analysis** Data Center Services – Europe Product Assessments provide an overview of services and strategies for leading carriers and integrators. Coverage includes topics such as virtualization, business continuity, disaster recovery, application

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Anatomy of a **Current Analysis** Product Assessment

- View **in-depth product** evaluations, with analyst perspectives, recent company activity, and product strengths and weaknesses.
- Examine **detailed buying criteria** across several categories including price, functionality, availability, deployment, and more.
- Read **point/counterpoint** arguments to understand how to position against or defend.
- Study relevant product metrics and recent enhancements.



**EXAMINE DETAILED EUROPEAN
DATA CENTER SERVICES
PRODUCT METRICS**

Managed Applications

- ERP, SCM, CRM,
- Collaborative Applications
- E-Commerce and other

Platforms Supported

- Operating Systems
- Databases
- Web Servers
- Application Servers

Connectivity and Scale

- Gigabit Ethernet
- Redundancy
- Number of Facilities and Locations

Security and Backup

- Back-up
- Data Storage
- Data Replication
- Archiving
- Site Mirroring
- Disaster Recover

Utility Computing

- Dynamic Computing
- SaaS
- Bandwidth on Demand
- Thin Clients
- Bursting Capabilities

Professional Services

- Consulting
- Integration
- Management
- Maintenance

Service Level Agreements

- Network Availability
- Server and Application Availability and Response Time
- Business Process SLAs
- Integrated SLAs
- Proactive vs. Reactive SLAs

Monitoring and Network Management

- Customer Self-Service Portals

Other

- Regulatory Compliance
- Green IT

Perform Insightful Product Comparisons

- Compare selected products, with **side-by-side listings** of product metrics and other factors, with a focus on actionable intelligence.
- View **analyst perspectives** on each product, including strengths, weaknesses, and buying criteria.
- **Point/counterpoint** arguments help you understand how to position or defend against competitive products.



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Current Analysis Offices

Washington, D.C.

21335 Signal Hill Plaza, Suite 200
Sterling, VA 20164, United States
Phone +1 703 404 9200
Toll free 877 787 8947
Fax +1 703 404 9300

Paris, France

Bureaux de Sèvres - 2, rue Troyon
92316 Sevres Cedex, France
Phone +33 (0) 1 41 14 83 14
Fax +33 (0) 1 41 14 83 16