

## EVENT FLASH

### **Getronics Outlines New Strategy - Aims To Become an ICT Services Aggregator and Leverage Cloud Services**

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#### IN THIS EVENT FLASH

This document provides an overview of key issues emerging from the Getronics' annual industry analyst event held on June 18<sup>th</sup>, 2009.

#### SITUATION OVERVIEW

Getronics (a KPN company) held its annual analyst event in The Netherlands on June 18th 2009. It has been a difficult couple of years for Getronics – major internal organizational and financial issues, acquisition by KPN 18 months ago, a major restructuring and now the global economic crisis.

However, as CEO Erik van der Meijden put it, much of the restructuring and cost-base realignment within Getronics had been initiated or completed before the crisis really started to bite. In his opinion this put Getronics in a better position than other players who were forced to make radical changes as a result of the crisis. However, it was also made clear that Getronics is not immune to the current economic situation. Worldwide growth in the first quarter was –1.1% against a plan of +10% with stalled projects and deferred client investments identified as the root cause. The result was a further 1400 layoffs across the organization.

This integration of the businesses of KPN and Getronics is still work in progress. KPN's Top 500 enterprise customers have already been transferred to Getronics and the full range of KPN and Getronics services are being offered under the Getronics brand. In addition resources and assets such as datacenters have been combined to streamline operations and cut costs. Later this year the Corporate Solutions outsourcing business of KPN will be transferred to Getronics as well.

Not surprisingly, the whole concept of cloud computing plays a key role in Getronics' strategy for the coming years. However, Getronics' vision of its role in a cloud-based environment differs from most other players, and the company is aiming to transition itself from being what it calls an "ICT Service Integrator" to an "ICT Services Aggregator". In this role Getronics claims it will aggregate and deliver a mix of ICT services sourced either from its own portfolio or from the various cloud offerings that are evolving. In addition, a key element of Getronics' positioning and a pillar of its strategy is the role of the end-user. Getronics believes that ICT demands will be driven by the needs of individual end-users and their go-to-market message underscores the belief that personal performance is the key to business success.

Although Getronics provided the vision of personal performance leading to business success, the company also indicated that it currently does not have a library of business KPIs nor is it likely to move to business-outcome related contracts. Linking personal performance to business success is a positive statement but only makes real sense if the client has the capabilities to define and measure the results. While currently not an issue, in the longer term we feel that this strategy may need to be reviewed in order to maintain competitiveness.

This is of course a multi-year transition, and Getronics also pointed out that there is still a lot of work to be done. The stated aim is to move their customers to a set of standardized and industrialized service offerings bringing them "to a level where they could eventually switch to cloud services". However, Getronics representatives went on to point out that the company knows that its value proposition in the cloud space would need to be "focused to add value".

Here in a nutshell is what we see as the major challenge facing Getronics in their goal to become an ICT services aggregator – the ability to add value. It is reasonable to assume that moving to standardized offerings and platforms will indeed provide clients with a firm foundation on which to more aggressively adopt cloud services. However, when it comes to cloud services aggregation we also expect that other aggregators will emerge with different business models – not unlike the Virtual Mobile Network Operators that have emerged in the mobile telecommunications space that are able to offer service without the need to invest in and support their own network. Getronics is betting on a future where there is demand from major clients for an additional services orchestration and brokerage layer.

The Getronics value proposition is focused on issues such as secure access, identity management, service management, billing, etc. and offerings are aligned into three major groups:

- Workspace Services
- Connectivity Services'
- Datacenter Services

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These are all areas where Getronics has key strengths – particularly the Workspace and Connectivity spaces. It's a confident move and as mentioned, plays to Getronics' strengths - but the jury is still out on whether user organizations will really want this extra delivery layer – even if it is positioned as shielding them from the complexity of the cloud environment and the difficulties of managing multi-channel services delivery.

In the short term however, Getronics will continue to focus on its core Workspace business, with the continued evolution of the Future Ready Workspace (FRW) offering. Cost reduction and the effective use of IT resources are not surprisingly key go-to-market messages at the moment and it would appear that these themes are likely to remain for the foreseeable future.

In terms of its international business Getronics will continue to build out the availability of its services portfolio across all 18 operating countries, leveraging the skills and experience that it traditionally has in the Benelux markets. A key element of Getronics' broader global expansion is the introduction of the Global Workspace Alliance (GWA) consisting of Getronics, CompuCom in the US, APX in France, TechnoCom in Spain, Getronics Middle East, Service One in China, and NTT Data in Japan. The Global Workspace Alliance allows all partners to actively position their offerings with international clients and expand their business footprint with these clients.

While Getronics is clearly a first among equals in the GWA and has taken stakes in all of these partners, it appears that all partners are deriving benefit. It was even claimed that TechnoCom in Spain has had success competing against larger rivals such as Indra and Telefonica by being able to leverage the Alliance for international business with Spanish clients. Despite the extensive global coverage the goal of the Alliance according to Getronics COO, Jos Schoemaker, is not to compete with the likes of IBM for global mega-deals involving more than 100,000 workplaces at large global organizations (although Getronics does see itself happily playing the role of sub-contractor in deals such as these). Rather the focus will be on what they call the Tier 2 Multi-Country market involving 10,000 to 50,00 workplaces in 5 or more locations.

CompuCom CEO Jim Dixon provided an overview of the relationships within the Alliance and how it works. Overall the story sounded positive and the partners have been able to demonstrate a number of successful wins. However, we can't help but feel that many of the questions regarding service definition, delivery process and consistency were glossed over and that the Global Workspace Alliance stands or falls with each partner's willingness to collaborate. There is no doubt that real collaboration can be a strong business driver and seems to be working well for the GWA partners. The current economic climate also works in the Alliance's favor and working this way provides partners with the opportunity of an increased level of international business without a huge level of international investment. We wonder however, whether improved economic conditions will see partners take a different approach to international business development and whether this will mean a significantly more "formal" relationship over time.

#### FUTURE OUTLOOK

Overall this was a positive, forward-looking overview from Getronics. The integration of the KPN portfolio and resources seems to have gone smoothly and the cost-base has (according to senior management) been successfully realigned.

Getronics has always had a strong Workplace offering and continues to develop new functionality and add-on modules. The current focus on offerings that aim to help reduce costs, streamline operations and improve productivity fits the market need. Getronics' future success will depend not only on extending its basic workspace footprint within the 500 targeted clients, but also on its ability to cross-sell and upsell add-on modules beyond the core workspace functionality. A related challenge will be to develop a broader positioning story that includes all of the various IT and communications offerings in a clear and coherent way – not just for clients but also for Getronics' own sales force.

To do this effectively we believe that Getronics' will need to continually refine its go to market message as economic circumstances change – from the current tactical focus on cost control and efficiency, to a stronger focus on collaboration and communication as economic stability sets in, to a fully-fledged ICT transformation message when IT investment levels begin to show structural improvements. In this context 3–5 year roadmap to being an ICT Services Aggregator outlined by Getronics looks like good timing. In addition, we also believe that Getronics will need to increase its focus on business metrics and KPIs if it wants to gain maximum benefit from its "Personal Performance, Business Results" tagline. In the Innovation Roadmap 2009-2010 that was presented during the event, there is reference to elements such as Enterprise Business Processes, Microsoft Dynamics Hosting and Business Intelligence Hosting – all of which would lead us to believe that support for metrics that demonstrate the value of ICT to the client in a business-oriented manner are at least on the drawing board.