

## EVENT FLASH

### Getronics Analyst Event 2009: 20 Months after the Acquisitions by KPN

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#### IN THIS EVENT FLASH

This IDC event flash reviews the analyst event of Getronics, held in Zoetermeer on June 18, 2009. In this flash we examine the situation within Getronics twenty months after the acquisition by KPN, if Getronics lived up to their promises.

#### SITUATION OVERVIEW

Getronics was acquired by KPN in 2007 with the aim to combine KPN's unified communications services with Getronics IT services. With revenue of \$1.9 billion and 12,900 employees worldwide, Getronics became the largest ICT service provider in the Benelux and a serious player in the worldwide market for workspace management.

During the event, Getronics CEO, Erik van der Meijden, looked back at last year's commitment and Getronics achievements. As promised, Getronics became the leader in workspace management for the Benelux and sold off the non-core business, such as application management and the international branches. The aimed cost savings were obtained and have resulted in a new location for their headquarter in Zoetermeer. On the 1<sup>st</sup> of January 2009, KPN started with the integration of their business into Getronics. Meaning KPN's top 500 large enterprise customers are transferred to Getronics as well as combining the datacenters of KPN and Getronics. The former Enterprise Communication Solutions business is integrated into a new department, Integrated Communications Solutions, and covers solutions such as Unified Communications, managed IP telephony etc. The outsourcing business from KPN, Corporate Solutions, will be transferred to Getronics later this year. Unplanned and as a response to the economic situation, Getronics had to lay off 1400 employees in the beginning of 2009 to secure their aimed EBITDA target that has been set by KPN.

The strategy for 2009 is to focus on the future ready workspace. Getronics acknowledges the changing market, from a market where technology converges through IP and services are delivered separately to a market where services, solutions and delivery models converge resulting in convergence of the contract management and end-to-end solutions. Getronics aim is to move customers to standardized and industrialized services, to eventually enable to bring customers to the cloud and provide SaaS.

Besides the Benelux market, Getronics aims to become a virtual global leader in providing workspace management. To achieve this goal, Getronics launched the Global Service Delivery Model 3.0 and formed a global workspace alliance with 6 partnerships to offer virtual worldwide workspace management. The global workspace alliance consists of Service One in China, TechnoCom in Spain, Getronics Middle east, APX in France, NTT Data in Japan and CompuCom in the US. With stakes in all these 6 partners, Getronics leads the alliance and can cover workspace management in most countries in the world. By selling their international business and taking an estimated 10% stake in the buyer, Getronics enabled itself to form this alliance. For instance, Getronics sold their business in the US to CompuCom and by taking a 12% stake in CompuCom, Getronics instantly became market player for workspace management in the US. The global workspace alliance currently serves 11 customers and focuses on large international companies, tier one multinationals and the tier two multi-country corporate market. However, the alliance realizes they can't compete with the big market players such as IBM or HP, leaving the mega deals to their big competitors and offering their services as a subcontractor in these mega deals. Although Getronics has a leading position, contracts are signed and regulated in the country and by the partner preferred by the customer.

#### FUTURE OUTLOOK

Getronics has certainly shown that they have lived up last year's commitments, and not without success. By pushing the cost savings and integrating the KPN business, Getronics has become more profitable and has new growth perspectives. However, today's challenge will be the actual execution of the integrated businesses. IDC believes that Getronics has a good value proposition and a strong financial position thanks to the KPN Group. In the current economic climate Getronics can take advantage of their strong financial position and the weak position of their customers. As most companies move to an OPEX model and turn to managed services as they lack the in-house expertise.

The global workspace alliance enables Getronics to offer worldwide workspace management. The strength of the alliance is its large coverage and the one-point of contact for the customer. However, the needed collaboration between the different partners is essential to make it work. Getronics emphasized that this was sorted out very well. We see this also as a major weakness, everything is based on the willingness to collaborate. In the current economic climate, the partners will be very willing to collaborate as it increases their

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business, but will this collaboration remain in the upturn. In an upturn the partners might prefer more equal partnerships or expand their own business outside the alliance. On the short term, it seems a strong proposition by which Getronics can become a worldwide player.