

## Case Study: AEGON Benefits from EquaTerra's Experience in Managing Strategic Outsourcing Solutions

### EquaTerra manages end-to-end design and implementation of AEGON's Voice and Data Telecommunications Outsourcing

#### At a Glance

##### Company Profile

**Industry:** One of the world's leading life insurance companies ranked by market capitalisation and assets

**Headquarters:** The Hague, The Netherlands

**Size:** Approximately 27,000 employees worldwide (2004)

##### Services Featured

End-to-End Telecommunications Outsourcing Support:

- Project Scope
- Request for Proposal
- Supplier Evaluation
- Due Diligence
- Solution Appraisal

##### Business Processes Involved

- Telephony
- WAN
- LAN
- Mobile and Voice Communications

#### Executive Summary

This case study shows how one of the world's leading life insurance companies placed its trust in EquaTerra. AEGON was experiencing growth through acquisitions. The company wanted to ensure future expansion of its business as well, and it recognised the need to outsource its telecommunications services and make significant upgrades in the process. The company relied on EquaTerra for its hands-on experience and collaborative nature. EquaTerra took the team from project definition through contract award. In the end, AEGON decided to come back for more.

#### Business Challenge

##### AEGON Turns to Outsourcing Specialists at EquaTerra

AEGON was expanding through acquisition and had decided to outsource its telecommunications services, desktop management and mainframe operations. The scope of the telecom services included telephony, WAN, LAN, mobile and voice communications.

The three key drivers to the decision to outsource the telecom services were:

- Reduce costs
- Address the growing internal skills gap
- Facilitate the future expansion of the business

The business had very limited hands-on experience of the issues surrounding outsourcing and although aware of the pressing need to take that route, needed specialist support to achieve its objectives.

#### How We Helped

##### AEGON Retains EquaTerra for Full Lifecycle of the Project

EquaTerra was retained by the UK Group IT Director to support AEGON throughout the full lifecycle of the project – from initial definition of requirements to final supplier selection and contract award. A key objective that emerged during the definition phase was that telecom services were to be treated as standard commodity items, which could be scaled up or down to meet future business needs. This objective was to be met without losing the benefit of a technology refresh and innovation that is now so relevant in the rapidly changing eBusiness arena.

**Note:** This case study was written prior to EquaTerra's acquisition of Morgan Chambers in September 2007. All "Morgan Chambers" references throughout this document have been changed to "EquaTerra" to reflect the new ownership and brand.

EquaTerra provided expert advice and support throughout the project. AEGON chose EquaTerra due to its experience in providing strategic solutions as to the definition of the future organisation as well as its extensive experience in managing the RFP process through to implementation and transition. EquaTerra worked in a collaborative manner with AEGON in the following areas:

- Helped the company define the scope of services to be outsourced
- Introduced the concept of commodity pricing focusing on the cost of:
  - Dial-tone ports
  - Fax ports
  - LAN ports
  - WAN bandwidth
  - Mobile handsets
  - Flat-rate charging for “on-net” calls
- Identified potential suppliers who were likely candidates for the telecom outsourcing
- Prepared a service description that could be issued to potential bidders
- Reviewed responses and produced a short list
- Developed a detailed request for proposal (RFP) and submitted it to the short-listed suppliers for response
- Created and introduced the supplier evaluation process
- Prepared best and final offer (BAFO) documentation for the final two selected suppliers
- Managed the due diligence process
- Provided support to the team in the subsequent supplier negotiations
- Used a third party to establish a baseline benchmark cost for the proposed services from each supplier’s perspective
- Evaluated the real cost of the supplier BAFOs using their proposed unit prices
- Carried out a detailed appraisal of the technology refresh solutions proposed by the suppliers
- Identified risks and “value-added” benefits for each proposition
- Established the ground rules for the implementation of an annual review (if required) of the outsourced services, encompassing the following elements:
  - Index-linked benchmarking of unit prices and tariffs
  - Customer satisfaction analysis
  - Strategic review of the performance of both the supplier and the retained function

## Results

### AEGON Extends Relationship With Supplier – EquaTerra is There

Engaging EquaTerra produced results. The client realised the following benefits:

- A full refresh of the telephony network with all PBXs replaced with new, state-of-the-art technology
- An upgrade of the WAN to a high bandwidth, future-proof network ready for Voice-Over IP or IP-VPN services when they mature
- Transformation of the LAN from a 16 Mbit/s Token Ring to 100 Mbit/s Ethernet
- Replacement of all mobile handsets to latest WAP technology
- A commodity-based price schedule that can be index-linked and easily benchmarked
- A simple and flexible pricing structure that is independent of asset base or technology platform allowing volumes to be scaled up, or down, with a clearly predictable cost to the business
- Transfer of knowledge to the project team so that both the supplier and the retained function can deliver a “best-in-class” service to the business

The client achieved a 40 percent reduction in annual telecom costs. The contract proved successful for both parties and in 2005 was renewed for an additional five years. EquaTerra was called in once again to provide support and advice for the contract signing.

## About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

## Contact Us

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