

Delivering repeatable cost optimisation

Overview

Our client is one of Australia's largest electricity and gas suppliers servicing residential and corporate customers. Having undergone a transformational change in the past two years, several strategic projects were initiated to reduce the number of vendors providing support and maintenance services across its vast and diversified applications portfolio.

However, since the large applications portfolio is spread across several business domains, there was no baseline data available for analysis. The problem was further accentuated by customised support contracts for each vendor comprising vastly differing terms and conditions.

Complexities prevalent across the support process resulted in:

- Yearly increase in support budget
- Outdated applications
- Long lead times for RFP execution

Opportunity

Our client currently spends many millions annually on support and maintenance of hundreds of applications by a large number of vendors. A key objective is achieving a sustainable low-cost operating model, reducing the number of support vendors through consolidation and creating a standardised RFP process for vendor support contracts that is simple, and easily scalable.

Our client engaged coIB to perform a detailed review of their current applications support model. The main objective was to analyse and shortlist applications suitable for placing in an application support RFP, develop and run that RFP process and manage the transition through to handover to business as usual (BAU).

Overall reduction in the number of support vendors

80%

Reduction in support cost

50%

colB solution

Our team leveraged our Cost Optimisation Methodology to perform an end-to-end analysis of the client's current support model and implemented enhancements in the RFP process by designing and implementing a Standard Cost Optimisation Process in five phases:

- Agree scope — an analysis phase comprising application characteristics profiling, detailed analysis, scope finalisation and sign-off. Joint sessions were held with application support team members and business stakeholders
- Develop RFP and selection criteria — the creation of a RFP template and vendor selection assessment document
- RFP and vendor selection — issuing the RFP to market and managing the vendor selection process. Sessions were organised with vendors to clarify and confirm requirements. Vendor responses were assessed, recommendations finalised and the business case for implementation funding prepared
- Transition — formal contract negotiations with selected vendors, agreeing on transition requirements and timelines. Key activities included; vendor onboarding, knowledge transfer, service readiness and construction of incumbent vendors exit plans
- Steady state/BAU — the final phase incorporated a period of hyper-care post implementation to ensure a steady state had been achieved. Formal project sign-off was completed with business stakeholders, application support team members and the vendors

Results and benefits

colB successfully developed and implemented a Standard Cost Optimisation Process for our client which resulted in:

- More than 50% reduction in support cost for 20+ applications, netting annual savings greater than \$1.5 million
- An overall reduction of more than 80% in the number of support vendors
- A dramatic reduction in overall RFP execution timelines due to efficiency gains from process improvements and standardisation

colB insights

Organisations need to create a repeatable framework for transforming their cost optimisation efforts from tactical to strategic to realise maximum value.

They need to invest in a strategic IT Cost Optimisation program that weighs the risk-reward trade-offs of all possible initiatives before implementing them. Such a program will ensure sustained success.

Annual savings in dollars

1.5m