

## Case Study: Severn Trent Water Ltd. Calls On EquaTerra to Investigate Best Approach for Delivery of IT Services

### Equaterra's evaluation ensures broadest analysis of capability, capacity and culture

#### At a Glance

##### Company Profile

Severn Trent Water serves over eight million people in the heart of the U.K. and supplies nearly two billion litres of drinking water a day to the highest standards in Europe. It operates in an area of more than 21,000 square kilometres, from the Bristol Channel to the Humber estuary and from mid-Wales to the East Midlands and encompasses the basins of the rivers Severn and Trent, from which the company derives its name, and includes Birmingham and 10 other major industrial cities.

##### Services Featured

- IT Service Provider Evaluation:
  - Project Scope
  - IT Supplier Identification and Selection
  - Identification of Required Service Portfolio
  - RFP Process
  - Negotiations Support
  - Preparation of Business Case

##### Business Processes Involved

- Information Technology
  - IT Infrastructure Service Delivery

#### Executive Summary

This case study explores how Severn Trent Water – a Utility that serves over eight million people in the heart of the U.K. – can utilise EquaTerra's services. STW already had in-house IT capabilities, but it wanted to ensure that it remained true to its customers by providing the best service at the best possible rate. It sought to verify that its in-house service still met the highest of standards, and that it was comparable to any outside value available. STW placed its trust in EquaTerra to thoroughly vet its internal business case. By retaining EquaTerra, STW ensured that the positioning of externally sourced services was scrutinised via market leading processes. EquaTerra's objective evaluation produced insightful and information-rich criteria from which STW could base its decision.

#### Business Challenge

##### Utility Invests £5.6 Billion to Improve Customer Service

Since privatisation, STW had invested £5.6 billion into improving service for its customers – despite that its annual average charge per household was the third lowest in England and Wales. The Utility initiated a continual business improvement and cost reduction programme to help it maintain its low-charge position. As part of this programme, STW decided to look at the effectiveness of its IT services. And in August 2005, STW's main provider – an internal, but separate, company, Aseriti – was subsumed into STW.

##### STW Looks to Verify Internal Value Proposition: ITIL Guidelines and Stretch Service Levels Set IT Standard

One of the prerequisites of the internal business case was that the services delivered by Aseriti – and other services identified for the then new structure of STW – would be submitted to the external market to determine if an enhanced value proposition was available from external suppliers.

In order to ensure the quality of the service was still of a high standard, the services to be delivered were redefined by reference to the IT infrastructure library (ITIL) guidelines and new stretch service levels set for a range of IT infrastructure services.

**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.

The approach to market was set to be a tight and thorough analysis. The already high standard of procurement procedures within STW was enhanced by the requirement to follow EU Procurement rules (as is required by all Utilities) to ensure that all elements of the market evaluation process were compliant with standards and procedures.

The utility retained EquaTerra to help it determine whether it should continue with its internal IT service delivery or move outside the company for these services.

## How We Helped

### EquaTerra Provides End-to-End Support

EquaTerra advised STW through all aspects of scoping the project through to identification and potential selection of prospective IT suppliers. This included helping STW determine the service portfolio that was to be sought from the external market, preparing the documentation submitted to the market, establishing and guiding the evaluation process, supporting the negotiations with potential suppliers and the preparation of the business case.

The first step in the process was the evaluation of responses to the initial call for completion published in the Official Journal of the European Union.

EquaTerra worked as a key part of the STW programme team. EquaTerra's role was to combine ITIL and industry standard terms and conditions with its experience of preferred practice in order to specify the required services and the initial and stretch service levels.

The next step was to prepare a detailed request for proposal (RFP), which included the service descriptions, service levels, draft contractual terms and the evaluation criteria, and a series of probing questions designed to examine the potential suppliers' capabilities, capacity and cultural alignment with STW.

EquaTerra provided ongoing support for the presentations to the potential suppliers and to the subsequent briefings to suppliers as well as responses to clarification questions asked by the suppliers.

### EquaTerra's Evaluation Process Crucial to STW's Ability to Assess Potential Suppliers

The evaluation process, designed by EquaTerra, included the criteria weighting and scoring process and templates for the evaluation teams and, uniquely, a process for weighting the responses to each question across the evaluation criteria. This was a crucial process, which enabled the STW evaluation teams to assess responses to all questions across all criteria.

Following the initial evaluation of the responses to the RFP, it was determined that two suppliers had submissions that had the potential to satisfy the financial and technical objectives.

These submissions were subjected to close scrutiny and a series of clarifications, presentations and discussions were held on price, approach, culture and service to enable the programme team to undertake a final analysis.

The final submissions from the two potential suppliers were then tested against the financial objectives that had been set by the STW board.

### In-house IT Infrastructure Service Delivery Model Proves Best Option

After careful consideration it was established that neither submission offered sufficient financial or operational benefit to STW to offset the risk of changing from an internal to an external supplier.

EquaTerra continued to support STW through the next step, which concluded with a round of briefings to all suppliers that responded to the RFP and detailed briefings to the two suppliers whose financial submissions were the subject of the business case.

## Results

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### **EquaTerra Imparts Insight Resulting in Maximum Benefit for STW's Business and Customers**

By retaining EquaTerra, STW ensured that the positioning of externally sourced services in the total IT infrastructure service delivery model was scrutinised via market leading processes.

EquaTerra provided significant insight into the service provider market and identified how best to obtain the necessary financial and operational information from the RFP.

EquaTerra exploited supplier insights further to provide an approach that optimised the suppliers' inputs and interfaces to the selection process – especially through its awareness of what suppliers need to know when formulating RFP responses and the supporting pricing information – resulting in an information-rich, probing and tightly focused RFP.

EquaTerra's unique evaluation process ensured that STW captured the broadest possible analysis of the suppliers' capabilities, capacity and culture. It also ensured that the evaluation remained objective.

Finally, EquaTerra's input to the analysis of the final submissions from the two short-listed potential suppliers ensured that the full cost of ownership over the proposed five-year term – both overt and less obvious costs – and the impact of costed risks, were included as part of the business case submission. This enabled STW to make a decision that would deliver maximum benefit to its business and its customers.

## 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.

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