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## CSC Moves Out in Two International Markets

Between November and early February, CSC announced two major outsourcing contracts outside the continental U.S. Just two years ago, CSC was still trying to diversify from its strong position in the federal market into commercial markets. Now it is diversifying even further, demonstrating that the international demand for outsourcing is strong, at least in the U.K. and Australia.

### Australian Insurance Deal

In early November 1992, CSC announced that it had a memo of understanding with Australian Mutual Provident Society (AMP) in Sydney, Australia to provide outsourcing services to the insurance conglomerate. This is a very complicated deal, involving not only the acquisition of CSC Australia by CSC in the U.S., now a wholly owned subsidiary of AMP, but also the absorption of AMP's 600 IS staff by CSC. Exhibit 1 illustrates the major aspects of the agreement.

The value of the contract over the ten-year period is expected to be \$1.5 billion, certainly the largest contract yet awarded in Australia. Though the deal has been publicly announced, it is still subject to signing of a definitive agreement because of the regulatory issues involved. If the final terms change, that will not change the fact that this U.S. outsourcing

vendor is succeeding in the international market almost as soon as it starts succeeding in the domestic market.

### Success in the U.K.

Can we expect more from CSC in the international market? Indeed, in early February, it announced an agreement with B&S, a leading U.K. clothing retailer with 130 stores in that country. The agreement calls for CSC to manage the data center, develop new applications and maintain and enhance existing software, a classic applications operations arrangement. Though the contract value was

Exhibit 1

### CSC's Insurance Deal

- 100 employees from CSC Australia
- 600 employees from AMP
- Ten-year contract term
- \$1.5 billion contract value

Source: INPUT



not reported, it does contain a clause stating that a 30% reduction of BHS's computing costs from the current level is guaranteed. The contract is for 11 years and includes the transfer of 115 employees to the CSC payroll. Exhibit 2 summarizes the terms.

Exhibit 2

### CSC's Retail Deal

- Eleven-year contract
- Thirty percent savings guaranteed
- Applications operations outsourcing
  - Platform operations
  - Applications management
- 115 employees transfer to CSC
- Data center and network transfer

Source: INPUT

Van Honeycutt, President of CSC's Industry Services Group, said: "This is one of the most significant outsourcing contracts ever awarded in the U.K. It will allow BHS to focus exclusively on its core business while relying on CSC to provide the information technology support so critical to success in today's marketplace."

### Reason for Success

In both of these cases, CSC is entering a vertical industry that has not been its strong suit

in the past. Both retailing and, to a lesser extent, the insurance industry have been fertile markets for some vendors, but CSC did not stand out as one of these in the U.S.

CSC was successful in these international deals because it had good marketing organizations in place in those countries and brought a high level of perceived expertise in outsourcing to the table. Apparently prospects in the U.K. and Australia may be more interested in turning over their operations to an outsourcing expert rather than an insurance or a retail expert. This may bode well for EDS and Perot Systems, which are very actively pursuing international opportunities also.

### What Is "International"?

Both of these awards may be mislabeled by calling them international successes. After all, they are really only outsourcing awards in one country granted to an outsourcing vendor from another country. That is very significant, but what will be truly significant is when one outsourcing vendor takes over the operations of both domestic and international divisions for a corporation, including its network management. There are vendors in the market who can do it now, at least on a technological front. The management problems will be daunting, but will be mastered because this type of true international outsourcing is inevitable in view of the increased globalization of business.

This Research Bulletin is issued as part of INPUT's Outsourcing Information Systems Program for the information services industry. If you have questions or comments on this bulletin, please call your local INPUT organization or J.P. Richard at INPUT, 1953 Gallows Road, Suite 560, Vienna, VA 22182, Telephone (703) 847-6870, Fax (703) 847-6872.

