

Bradford & Bingley drives transformation and growth with IBM



Demutualisation, market competition and regulatory pressures have focused the banking industry’s attention on achieving profitable growth from core products delivered with the highest standards of efficiency and customer service. As a leading provider of specialist mortgages, commercial property loans, savings and other financial products to the UK market, Bradford & Bingley plc has responded to such pressures by initiating an innovative programme of major business transformation in recent years.

Overview

■ Customer Challenge

- To transform business processes and IT services to support a rapidly changing business
- To optimise the IT infrastructure in order to provide improved service while reducing costs

■ IBM Solution

- IBM provided Component Business Modelling advice to enable the IT architecture to align with business strategy.
- Application Portfolio Management services to help improve the value of IT to the business.
- Strategic outsourcing for head office and branch IT infrastructure and applications, including help desk, e-business hosting services and business continuity and recovery services.

■ Customer Benefits

- A benchmark study carried out by a major research firm measured 100 per cent improvement in IT service delivery while costs reduced by one third
- Application development costs cut by 30%
- Support costs for a PEP application reduced by around £150k p.a. meaning the project could self-fund itself over a 3 year period with significant savings in the years to follow
- Home insurance retention rates enhanced following new business processes introduced when customers pay off their mortgages
- Exposure to visionary global thinking on how retail banking processes will develop.

Non-core businesses have been divested, internal processes restructured and customer-facing retail systems transformed. Technology underpins all of these activities. However, it is not a core competency of Bradford & Bingley, and the company decided to find a partner that could help it to grow through new and streamlined business processes while delivering improved IT services at a lower cost.

“We chose IBM because it has the size and global reach to attract top class professionals and a huge pool of resources in both financial services and technology,” explains Robert Dickie, Group Operations Director at Bradford & Bingley.

Key Components

Software

- Unix™
- IBM OS/400
- IBM DB2
- Microsoft™ Windows NT™

Hardware

- IBM eServer zSeries
- IBM eServer xSeries
- IBM eServer iSeries
- Lenovo ThinkPad notebooks

Services

- IBM Global Technology Services
 - Component business modelling
 - Application portfolio management
 - Strategic Outsourcing
 - e-business Hosting Services.

Strategic outsourcing

Bradford & Bingley outsourced its entire IT infrastructure to IBM in 2002. Bradford & Bingley's enterprise server was relocated to IBM premises where it is managed by IBM staff. The IBM team also supports the majority of the remaining hardware estate and 3500 users within Bradford & Bingley's four central sites and 207 branches.

The original agreement with IBM was for a ten-year strategic outsourcing contract to provide data centre, midrange server and desktop service management, including an end user helpdesk. All of these facilities are managed and maintained by the IBM worldwide strategic outsourcing team.

Bradford & Bingley also had an objective to lower application management costs, improve the business value of its application portfolio, and support business transformation with a more agile portfolio of software more closely aligned with the evolving needs of the business. The outsourcing contract was subsequently extended to incorporate innovative application management services, from development and maintenance to complete application portfolio management.

A further expansion of the outsourced services provided by IBM involved the implementation and hosting of a new mortgage processing system. Bradford & Bingley identified the need for a new system to improve process efficiency in its mortgage business, to enhance the service to mortgage customers and comply with new FSA regulations.

There was a tight deadline for delivery of the new system, driven largely by external regulatory timescales. Third-party applications were implemented under an IBM e-business Hosting Service. The hosted infrastructure is based on IBM @server xSeries servers, and includes firewalls, routers and switches to ensure continuous availability and Managed Storage Services. The robust and scalable infrastructure was developed, tested and in operation within the regulatory window.

Application portfolio management

IBM performed a full-scope assessment of Bradford & Bingley's application portfolio. It provided a set of criteria by which to evaluate the applications, analyse the relative business and IT value, and measure the cost associated with each. The assessment concluded with recommendations as to how Bradford & Bingley could cut application management costs – including a cost benefit analysis for each savings opportunity identified.

One example of the benefits derived from outsourcing application management is the result of a review of the Quasar software used by Bradford & Bingley to manage its PEP business. The application was running on a DEC VAX server which was costly to maintain, unstable and unsupported in terms of disaster recovery. A project was set up involving Bradford & Bingley, IBM and the software vendor, Rhyme Systems, to migrate Quasar to an Intel server managed by IBM. This project reduced support costs by some £150K per year and secured full disaster recovery. The project was self-funding within three years.

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Bradford & Bingley*

In a second example, IBM worked with Bradford & Bingley to transform business processes and software applications associated with retaining home insurance policies at the end of each mortgage term. The project enabled Bradford & Bingley to communicate with customers near the end of their mortgage term, provided automated support triggers for telemarketing and revised customer renewal procedures. As a result, Bradford & Bingley has substantially reduced attrition rates amongst its home insurance customers.

Smooth transition

Outsourcing service delivery, service support and application management services to IBM has enabled Bradford & Bingley to divest itself of non-core activities and cost. It retains a small IT team of fourteen, led by Steve Partington, Director of IT at Bradford & Bingley. His team is focused exclusively on defining strategy, setting policies, assuring quality and managing the relationship with IBM.

Great care was taken in transitioning resources from Bradford & Bingley to IBM. In all, some 40 IT and 180 application development staff were affected by the move, and it was important to maintain the commitment and enthusiasm of each individual. Bradford & Bingley and IBM worked closely together to make the transition a success.

“IBM was very attentive to the welfare and feelings of the staff making the transition between the two organisations,” explained Steve Partington, Director of IT at Bradford & Bingley. “IBM involved Human Resources very early on and maintained regular and open communications with everybody concerned. All staff were allocated a Professional Development Manager on transfer to IBM, and fully inducted into the IBM organisation. These steps made the transition very positive and it has been a huge success.”

Trusted partnership

Bradford & Bingley enjoys an open and transparent relationship with IBM. The two companies work closely together on IT investment planning and the strategic delivery of processes and technology to satisfy Bradford & Bingley’s business goals.

“Our relationship with IBM is not one of customer and supplier in which everything centres on price and everyone hides behind a contract,” says Partington. “There are always issues with business innovation and technology. The strength of our relationship is that we make issues visible and work through them together to a successful conclusion.”

The relationship with IBM extends far beyond the provision of outsourced IT services. At the monthly Operations Committee, Bradford & Bingley’s management shares its business objectives and performance challenges with IBM, and values the advice and guidance that IBM gives at a business level as a result of its experience working with financial services organisations across the globe.

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When Bradford & Bingley saw the need to modernise its retail branch operations, IBM invited the company's business executives to its centre of expertise for financial services in Spain. There they could examine advanced processes for retail branch banking and evaluate innovative systems being adopted in other banks.

"We won't always adopt leading-edge ideas, but with IBM's experience working with the global financial services industry, we can be confident that we are making decisions with a clear vision of how retail banking operations will evolve in the future," Dickie explains.

Performance improvement

Before outsourcing application management services to IBM, Bradford & Bingley commissioned a major research firm to undertake an external benchmark of performance. The process was repeated two years after the outsourcing contract had come into effect. Using a variety of benchmarking tools, the results showed that overall performance had increased from 43 per cent to 86 per cent, even though IT costs were down by a third.

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Bradford & Bingley

Rather than carrying a large fixed overhead of IT staff which the company could only partially utilise, under the outsourcing arrangement, Bradford & Bingley has the flexibility to call on IBM's much larger team of multi-discipline skills when required.

Bradford & Bingley operates robust operational management systems and has formal service level agreements in place with IBM. An annual independent performance benchmark provides an objective monitor of service performance and business improvements.

Shared business objectives

Every six months senior executives from the two companies hold a 'Governance Meeting' to review customer satisfaction, performance and costs. Between these major reviews, members of the IBM team sit alongside Bradford & Bingley staff in joint monthly programme meetings. The IBM team of almost 200 specialists functions as Bradford & Bingley's IT and business support facility, reporting to the company's own Director of IT.

"IBM will continue to help us develop the right IT strategies and provide a depth and variety of skills in both business and technology to help us engineer innovative changes in our operations. Tapping into these world-class resources whenever we need to gives us enormous flexibility in driving the transformation of our business," Partington concludes.

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