IBM

ScottishPower efficiently serves its growing customer base with IBM

Overview

- **The Challenge**
  To support a rapidly growing number of customers with cost-effective, high availability billing and customer information systems.
- **The Solution**
  A long-term strategic outsourcing solution to host, manage and support billing and customer information systems.
- **The Benefits**
- *Flexibility to cope with an increase from 3.5million to over 5million customers in 18 months while reducing the IT element of "cost to serve" per customer by 30%*
- *Improved customer service supported by a reliable, resilient, secure platform*
- *Access to the latest technology without large upfront capital costs*
- *Availability of a wide range of skills and expertise.*

ScottishPower's Energy Retail business supplies gas and electricity to 5.2million UK business and domestic customers. Collecting £3billion in the last 12 months, it faces the challenge of managing millions of customer accounts, which includes metering, billing, dealing with inbound enquiries and problem resolution. Energy Retail generates 90,000 bills a night and operates eight call centres in the UK that employ 1,500 people to deal with 20,000 daily enquiries.

In the competitive energy supply market where the main differentiators are customer service and price, ScottishPower's core billing and call centre support systems are key to enhancing customer satisfaction.

"Eight years ago we entered into a long-term strategic outsourcing agreement with IBM, " says Jim McEwan, UK IT Director at ScottishPower. "Our number one priority was to provide a reliable platform for our billing system. However, outsourcing was also attractive because we needed to control costs and the skills required to run an effective environment can be difficult and expensive to acquire and retain in-house." ScottishPower selected IBM to run its billing and call centre service because of IBM's proven track record in delivering competitively priced, high quality and technically robust solutions.

Building trust
Together, ScottishPower and IBM ensure that the outsourcing agreement runs smoothly. Management processes include monthly and weekly meetings to review strategy, performance, capacity and required changes. IBM regularly monitors and optimises the operating environment. ScottishPower is subject to legislation such as Sarbanes Oxley and works with IBM to help ensure that there are no control deficiencies that could compromise compliance.

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>
> *Jim McEwan, UK IT Director at ScottishPower*

"We've built up a great deal of trust during our long-standing relationship with IBM," says McEwan. "We work as a team to mould and reshape the outsourcing contract to ensure that it continues to meet all of ScottishPower's needs. It's proved to be a real success story."

A top-scoring service

Prior to IBM's involvement, the stability of the billing platform was a regular problem for ScottishPower but McEwan confirms this is no longer the case: "Since working with IBM, we've had no major issues with the platform on which our billing system runs and, as a result, I have sometimes awarded IBM the maximum score of 10 in our yearly assessment. In my opinion I can't ask for more than the excellent performance and near 100% stability we enjoy." The operating environment is based on an IBM System z server with four processing engines. It acts as the robust nerve-centre for all of ScottishPower's business critical operations, supporting core billing and call centre systems and interfacing with almost 200 other systems.

ScottishPower benefits from the business continuity facilities and services that IBM provides as part of the outsourcing agreement. In the event of a problem affecting the availability of the billing platform, full recovery to an IBM System z server on another IBM site can take place. Of course, the true test of any long-term relationship is when problems arise. ScottishPower encountered a few teething problems when IBM moved support of the environment to South Africa, for example, but these operational issues were resolved through good communication and good teamwork between ScottishPower, the IBM local account manager in the UK and the IBM team in South Africa.

Reduced cost to serve

A recent period of rapid growth highlighted the benefits of outsourcing for ScottishPower. Customer numbers increased by over 1.7million in only 18 months and a mainframe upgrade was needed to provide more capacity. The agreement with IBM meant ScottishPower had the flexibility to respond within the timescales required by the business. "We were able to move onto the latest mainframe technology over one weekend with minimum outage time," says McEwan. "The whole process was expertly managed by IBM and was far simpler, more efficient and cheaper than doing it in-house could ever be."

ScottishPower's upgrade costs for licensing were under £125,000 and it avoided the larger capital acquisition bill it would have faced had it owned its own IT infrastructure. The upgrade also resulted in a 15% productivity improvement for batch runs.

The outsourcing agreement provides both reduced and predictable costs. If ScottishPower acquires another million customers, for example, it knows exactly what it will cost to serve them. The company carefully measures its "cost to serve" per customer and the agreement with IBM reduced the IT element of this figure by 30% during the period of expansion.

McEwan concludes: "A good supplier is differentiated from a mediocre one by a willingness to communicate at all levels and go further to really understand and address the customer's challenges. IBM is exceptionally good at this and, as a result, has sustained a long and successful relationship with our organisation."

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