



# Podcast

## Outsourcing for economic-challenged times

**John Kelly**

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**Julie:** Hi, I'm Julie Meyers from Xerox Global Services, and I'm here today with John Kelly, the President of Xerox Global Services-North America. Hi John.

**John:** Hi Julie.

**Julie:** I thought today listeners would like to hear a little bit about what you're thinking and seeing based on your interactions with our clients and our potential customers in the marketplace—how deeply the economic situation is impacting their business and what you think and what you're saying to them about how we at Xerox can help them.

**John:** Well certainly, Julie, across almost all of our sectors the kind of profound crisis that we've found ourselves in from a financial standpoint has affected many if not most of our clients. And what it's kind of forcing people to do is to take another look at all the areas in which spend is generated in an organization and how creative, how aggressive can they get in looking to address that spend in order to drive short-term returns—and what I mean 'short term', I literally mean within the year. Quite a challenging environment for that; people are looking to do more with less, people are looking to have price decreases, finding ways for companies like Xerox to co-invest with them in new capabilities so that they can minimize their capital. So while that's challenging, it's also a great opportunity to look at new ways of doing things. I think people's minds are opening up and are eager to hear new ideas around how they can reduce costs and drive value.

**Julie:** So we've obviously spent a lot of time putting together our messaging and thinking and making sure that our offerings support productive cost savings, operational efficiency/effectiveness, and still we were getting into kind of a rhythm where we were talking about additional benefits of what we do, whether it was in the sustainability space or in incremental value add around retaining clients or communicating with customers, etc. Are you seeing that the dialog is totally focused now back on that cost-value proposition? Or is it still kind of a 'cost, but...' proposition.

**John:** I think it's fair to say that, you know, cost is the lead card you need to play; it's the first thing that clients ask you about. However, if you can add on to that, layer on to that other advantages, other value-adds, they're all ears. Often—in many cases you can make a very good return argument for sustainability or for customer retention and customer loyalty, because those are very quantifiable things as well. But I would think it's fair to say that at least the kind of—the initial conversation now almost always starts with "How can you make us more productive and reduce our costs?"

**Julie:** **And are you finding that our existing customers are really initiating those conversations with us, or are we having to go and remind them that documents are a big piece of their costs and document management and outsourcing can benefit them in this environment?**

**John:** You know, it's a little bit of both. I mean, I was at a very large multinational client yesterday where we had implemented a managed print service across about 7 of their 18 worldwide businesses, and we were able to demonstrate in those 7 businesses substantial returns—you know, multimillion dollar savings over the last 2 or 3 years. And they had two questions, which were "How much more can we get in those companies?", and "Why aren't we moving more aggressively into the other 11 companies that're part of our group that haven't embraced this solution yet?" So I think they're looking to value they're already getting and asking the question "Can we drive more? And how can we extend and deepen that across all of our company?" They really are looking for "Give me some best demonstrated practice; give me some current good stuff that we're doing," and then have a conversation around "How do we extend and expand that rapidly?"

**Julie:** Okay. You know, I was at the Gartner Symposium event in Florida a couple of weeks ago and the keynotes during their presentation—and this was really immediately after some of the major stock market activity began—really encouraged the CIO and CTO audience to focus on and embrace the idea of outsourcing—if they've never done it before, to really seriously take another look, and for those who had done it in some areas to look again at where outsourcing could be a real benefit in this economic crisis. How is that dialog playing out?

**John:** Oh, it's absolutely what we're hearing as well, Julie. You know, the benefits of outsourcing typically are, if it's structure the right way, immediate payback in taking over a function and either leveraging your scale or leveraging your expertise to make it more efficient; you can usually drop savings to the bottom line quickly. Secondly, as technology and innovation become ever more prevalent, even in these times, the idea of outsourcing to a partner who can invest in solutions, who can deploy, you know, some of their expertise to keep improving processes is also getting a very, very strong hearing. And then finally, the other advantage of outsourcing is the ability to take capital off your balance sheet; to be able to say "Okay," to the outsource provider, "you invest your capital in scaling and growing the solution that serves me." So for all those three reasons—those are three very strong economic reasons where your clients can kind of get savings, can leverage investments you make in innovation, and thirdly can leverage your capital and your balance sheet in order to provide the service for them.

So most definitely it gets a lot of attention these days. And you know, in our space we look a lot at the whole document outsourcing, document processing, managed print service space. You know, historically that's not been an area where outsourcing has taken quite the same hold as you've seen in application outsourcing or IT outsourcing. We at Xerox can bring, I think, a very strong value proposition with a great track record and a very reliable and effective transition management process that gives clients, you know, I think a great option to pursue document outsourcing with Xerox.

**Julie:** Great. Now are they asking for kind of unique terms and conditions or different ways of structuring relationships, whether they be more cost sharing initiatives versus...?

**John:** Yeah. Yeah, I think particularly you're finding in this space is the fact that people's activity levels and volumes may fluctuate a little more than they're used to because their business might be shrinking or they might be, you know, closing down certain operations and businesses to get leaner. If they can work a contracting process where they don't bear all the risk of that but we can help them do that and get them out of fixed infrastructure in a cost effective way, that's very attractive to them. Also, the whole area of managing risk—a large company like Xerox can bring a lot to that party in terms of tools, capabilities—again, balance sheet—and the more we can take the risk of this transition to outsourcing off their back and kind of put in on ours, again, is something that we're getting a lot of interest in.

**Julie:** Right. Now you mentioned one multinational client that is really encouraging us at this time to kind of expand to some of their other divisions. Are there—are companies still actively looking for multinational and global type relationships? Or are they really wrapping their arms around kind of their domestic activities at this time?

**John:** No, I think companies that right now are global will continue to be global, and if anything it just makes them even more committed to really sharing best practice, sharing capability, driving improvement from one part of the world to the other. So I see nothing but increased focus on that. And this client in particular, they're actually convening a kind of global council—these executives, with just this in mind, which is “How can we take more advantage of global best practices across all our countries?”

**Julie:** Okay. Now there's a lot of dialog about how—the financial services industry, as an example, looks more and more like a public services...

**John:** Public sector—yes.

**Julie:** Public sector organizations. Are specific verticals either kind of reaching out more or more receptive to the dialogs that you're putting forth?

**John:** Well, I think it's fair to say that we've seen a tremendous increase in the kind of conversations we're in, from financial institutions and insurance companies, particularly in the area of cost reduction and capital deployment, so that we can find ways to help them, you know, better manage their investments and drive costs out. So without a doubt, insurance, banking, brokerage, investment banking are all very interested in this approach at the moment. I'd also look at some of the areas in manufacturing where you're seeing a slowdown in demand and clients are looking for all possible ways to save money, whether it's automotive companies or consumer product companies. In fact, we've just done two large deals with a consumer products company and an auto manufacturer to look at reducing costs.

**Julie:** Okay. Interestingly, in the public sector, we always have been taught that there were certain industry segments that were a little more insulated during economic-challenged times, one being healthcare, because people still get sick, and the other being kind of that state/local government because activities and infrastructure still have to continue to be maintained. At the same time, I'm now hearing that many local governments are going through 20% or 30% or even 40% budget crises, and I'm just wondering if that's having any impact. Are you seeing anything different in the public sector space?

**John:** Oh, absolutely—absolutely. I think unlike past kind of down cycles, the public sector is now embracing outsourcing. It might be outsourcing with a little bit of a twist in that they want to minimize the amount of offshoring that comes with the outsourcing, but certainly outsourcing as a tool that public servants can deploy in reducing costs is something that we're seeing a lot more of. Two large state governments that we work with have outsourced, for example, all of their data center printing, which are multi-year, tens of millions of dollar contracts where they simply said “This is a sort of function that it's a better return for the citizen to have someone like Xerox, who brings real expertise to it, deliver the service to some very guaranteed high levels of service at lower cost. So again, unlike past downturns perhaps—and because of the financial crunch the government's in in the United States, they almost have no choice but to look at different, more creative ways to reduce costs.

**Julie:** So how do companies or organizations in the public sector who either aren't or don't have any experience in outsourcing or haven't previously considered document management as a space to look to for outsourcing type services—how would they get started thinking about it? And what are the things that they should consider?

- John:** Well, certainly one of the advantages that we have at Xerox is we've organized many of our services along industry lines. We have industry practices which can come and speak to any client from any industry and talk about what's happening in their industry and what areas of opportunity other companies in their industry are taking advantage of. And once you begin to identify those areas, there're all kinds of ways to get started; one of the easiest ways to do it is to start with an assessment process—again, not a lot of risk, but kind of deep dive in the selected areas to demonstrate what savings are available, what a solution could look like, what a transition process is, and what a business case for that transition process is before making a kind of full-blown commitment to outsourcing. So I would say, you know, look to find industry best practice and also look for initial assessment kind of engagements where you can really identify and size the opportunity and look at options around how do you potentially go out and capture it.
- Julie:** Great. That's great advice. Anything else that you want our listeners to think about as they continue through this economic crisis?
- John:** Well, you know, these economic crises—you know, they sort of tend to go in cycles and you've got to think about the longer term, when you emerge from this particular cycle, what've you left behind? What've you created, I should say? So we try to have a dialog with our customers to say "Yes, there's always a short-term cost that has to come out," and that's something that a company with Xerox's size and expertise can help you do—but we also want to always keep in mind the fact that two, three years down the line we're gonna be in a different economic environment, we're gonna be in a different marketplace environment, and you want to make sure that you don't kind of throw the baby out with the bathwater; that you actually think about what's it gonna take to compete when the market does return and do things now that allow you—that kind of preserves your option value to be able to compete in the ways you need to compete whilst you're addressing the short-term concerns.
- Julie:** Great. That's really important advice as well. Well, again, this is Julie Meyers. On behalf of Xerox Global Services, thank **you**, John Kelly, for your words of wisdom.
- John:** Thank you, Julie.
- Julie:** And if you're interested in more information from Xerox's Thought Leadership, you can find us at [www.xerox.com/thoughtleadership](http://www.xerox.com/thoughtleadership). Thanks again, John, and thanks for listening.

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