T-Systems Accelerates Market Growth with a Path to Unified IP Communications

Executive Summary

CUSTOMER NAME
T-Systems Enterprise Service GmbH

INDUSTRY
Service Provider

BUSINESS CHALLENGES
- Fast-track growth within the enterprise market in Germany
- Extend the T-Systems brand across all segments—SMB, midmarket, and large enterprise customers
- Strengthen and broaden T-Systems' offering to include managed LAN services, thereby creating new opportunities to sell IP telephony, security, wireless, and other value-added services

SOLUTIONS
- Form strategic alliances
- Develop a three-year business plan
- Create joint go-to-market and service-creation strategy

BUSINESS RESULTS
- On track to deliver additional business to the in-house segment within the first year
- Increased sales win-rates significantly
- Increased opportunity through stronger customer propositions and vertical solutions
- Developed T-Systems to be among the top two channel partners in Germany

Being a service provider in today's market means knowing how to stay above water. To avoid sinking, providers need to incorporate conventional thinking with a highly focused approach to strategic alliances in order to better meet the needs of its customers.

BUSINESS CHALLENGES

Like the most intrepid explorer, today's service providers have to set sail in unchartered seas and, oftentimes, stormy waters in order to navigate through market dynamics and advances in technology.

T-Systems Enterprise Service GmbH is one such company setting sail on a new course. T-Systems is the business-customer brand of Deutsche Telekom (DT). With about 52,000 employees in over 20 countries worldwide, T-Systems offers one-stop solutions, IT solutions, and end-to-end business-process outsourcing for enterprise networks. This approach has secured DT brand leadership in the traditional voice and IT service provider markets in Germany, and has helped the company position itself as a strong challenger in other countries.

In response to changing market dynamics—such as the shift from ATM to IP technology and the decline in volume-based pricing—T-Systems decided the time was right to realign its strategic direction to better serve the needs of its customers; in particular, to replicate success in the large enterprise market across the SMB and midmarket segments.

CISCO SYSTEMS

Prepared by Cisco Systems, Inc.
Internet Business Solutions Group

In 2004, as part of a major company relaunch, T-Systems was restructured to deliver a sharper focus and greater efficiency across its sales and marketing activities. This included the transfer of all remaining enterprise accounts from T-Com (the enterprise arm of DT, now responsible solely for residential customers) to T-Systems' business services and enterprise services units.

With cost leadership becoming increasingly unsustainable as the price of calls tumbles, T-Systems decided to develop its value proposition to customers. The company wanted to gain a stronger foothold, initially, in the midmarket (companies below the top 100 and above SMBs), by offering managed LAN services, thereby creating new opportunities to sell IP telephony, security, wireless, and other value-added services. And the service provider would not have to venture far from home to gain a stronger foothold in the German market.

"OUR GOAL WAS NOT TO CHANGE PARTNERS PROJECT BY PROJECT, BUT TO TRANSFORM A WHOLE MARKET WITH A STRATEGIC ALLIANCE. CISCO IS SUCH A PARTNER WITH WHICH YOU CAN DO THAT."

**Michael Guschlbauer, head of sales for large enterprises
T-Systems**

SOLUTIONS

One of the world's major communications and networking companies was working in parallel to T-Systems right in its own backyard. Cisco Systems® had its place in the German market, and both companies were well known to one another.

Cisco® was aware of the service provider's aspirations, and the Cisco Internet Business Solutions Group (IBSG) approached T-Systems' executive team to share and develop thoughts on how the two companies could help each other. These discussions laid the foundation for a strategic relationship and a three-year collaborative business plan.

The companies realized that their strategic goals were similar. They also discovered that they shared the same vision—moving intelligence into the network to introduce new functionality and applications that allow companies to optimize IT and business processes. "The logic was overwhelming," says Torsten Boettjer, senior manager of strategic alliances for T-Systems. "The combination of two strong brands and the complementary skill sets of service management and IP-based networking solutions created a very powerful proposition and effective way of optimizing our collective resources, assets, and customer base."

They would accomplish this, at first, by combining two of their resources: T-Systems' business flexibility and Cisco's Intelligent Information Network (IIN), which includes a set of architectures that transforms an existing network into a system that builds intelligence across multiple products and infrastructure layers.

The partnership resulted in a major initiative—aptly named Project Navigator—to implement their vision. "Our goal was not to change partners project by project, but to transform a whole market with a strategic alliance. Cisco is such a partner with which you can do that," says Michael Guschlbauer, head of large-enterprise sales at T-Systems.

"WITH CISCO, WE HAVE A VALUABLE PARTNER WITH A STRONG BRAND. FEW COMPANIES CAN DRIVE ADVANCED TECHNOLOGIES IN THE WAY CISCO DOES."

Ulrich Kemp, chief operating officer
T-Systems

Integration of Sales and Marketing

The first phase of Project Navigator was to develop a go-to-market plan that defined joint sales and marketing initiatives for large enterprises, the midmarket, and SMB segments. These included:

- **Shared workshops**—external trainer facilitates sessions, which start with an open and honest exchange of views on each other's perceived strengths and weaknesses, before moving onto joint account planning to identify priority customers

- **Joint account reviews**—breakout sessions to secure commitment for single accounts, build proposals to create continual business, and arrange joint customer appointments

- **Process alignment**—the integration of key processes, such as bid management and streamlined customer orders, to form one simple set of procedures

- **Joint marketing programs**—promote the alliance, such as joint advertising campaigns and events that share customer databases and costs for greater return on investment

Service-Creation Activities

Phase two of the project focused on maximizing the strengths of both companies in the most optimal way—by combining T-Systems' service-management excellence with Cisco's expertise in IP-based networking solutions to develop attractive customer propositions. This service-creation activity was supported by important training and awareness initiatives and included:

- **Vertical programs**—developing joint solutions, such as innovative IP communications bundles (Cisco Integrated Services Router and Unified CallManager Express), and radio frequency identification (RFID) for high-value vertical markets, such as medical as it relates to providing e-health solutions to the public sector

- **IP training and support**—e-learning modules and IP training to help T-Systems' field sales teams become certified Cisco sales experts; extended to include employee exchange initiatives, which allow T-Systems individuals to work within Cisco offices for a set period of time before returning to their normal work environment as Project Navigator "ambassadors"

New Governance Models

A governance model was developed to secure continual commitment to planned activities, track success and key learnings, and to deliver the strict program management disciplines needed to drive Project Navigator forward. This model includes monthly executive conference calls to review progress and ongoing strategy.

> **"T-SYSTEMS AND CISCO SHARE ONE VISION OF HOW CONVERGENCE AND UNIFIED COMMUNICATIONS CAN IMPROVE COLLABORATION AND EFFECTIVENESS FOR ALL BUSINESSES, FROM SMBS TO MULTINATIONAL ORGANIZATIONS."**
>
> **Hendrik Otten, vice president, customer-based IP voice**
> **T-Systems**

BUSINESS RESULTS

The strategic alliance has delivered true business transformation and has already proven to be a qualified success. "With Cisco, we have a valuable partner with a strong brand. Few companies can drive advanced technologies in the way Cisco does," says Ulrich Kemp, chief operating officer, T-Systems Business Services Division.

Delivering Business Growth

The strategic relationship is well on the way to meeting its overall goal to provide T-Systems with significant incremental revenue until 2007. Project Navigator is on course to meet its first year revenue target and to deliver additional business, especially in the segment of in-house communications and helping T-Systems establish itself as a top-two Cisco channel partner in Germany. Initial sales figures for Cisco equipment sold in the first eight months of 2006 alone have grown 20 percent.

Increasing Sales Efficiency

Better alignment of sales strategy, planning, and processes between T-Systems and Cisco are helping to drive greater sales efficiency. As a result, sales win-rates, which were defined as a key metric, have increased continuously and significantly throughout the segments since the project started in 2005. This highly focused approach helps T-Systems make the best use of its resources by focusing its effort on sales opportunities that offer the greatest chance of success.

Stronger Customer Propositions

The service-creation activities have helped to enhance T-Systems' capability to offer and deliver a range of innovative solutions incorporating LAN, unified IP communications, and security, as well as developing solutions for vertical markets in Germany. RFID solutions are currently being trialed within the healthcare sector (a hospital in Munich is using RFID technology to track and locate blood donations), and in the retail sector a forklift rental company is using RFID to assist in asset management.

"For our growth aspirations we need a partner which brings innovations to the table. We see in Cisco an innovation machine," says Guschlbauer.

Best Practice Transitions to Day-to-Day Business

The goal behind Project Navigator is that it ultimately becomes the standard method of operation between Cisco and T-Systems. This is already starting to happen. Joint account planning, building joint proposals, joint customer visits, and presales project teams are already taking advantage of both sets of contacts. T-Systems also benefits from fast-track access to Cisco's technical experts.

A recent major sales win in the financial services sector highlights the difference the initiative is making. Christian Siemann, T-Systems account manager for KfW Bankengruppe, tells the story: "Working together with Cisco enabled us to develop the right solution and the best offer for the customer. This hard work paid back with a contract-win to provide managed LAN services for one of Germany's top 10 banks. Not only that, it has opened the door to talk with the customer about other value-added services, such as IP telephony, security, and wireless."

NEXT STEPS

Looking ahead, the next phase of Project Navigator will look at increasing the coverage of IP-based networking solutions and opportunities to roll out the relationship on an international level.

"T-Systems and Cisco share one vision of how convergence and unified communications can improve collaboration and effectiveness for all businesses, from SMBs to multinational organizations," says Hendrik Otten, vice president of customer-based IP voice at T-Systems. "We are now working with Cisco to take advantage of the unified communications platform to add new services to our portfolio."

MORE INFORMATION

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco Systems, helps Global 500 companies and public organizations transform the way they do business—first designing innovative business processes and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

For further information about IBSG, visit **http://www.cisco.com/go/ibsg**

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