



NPI Facilitates Growth, Lowers Risk for Large Insurance Provider

With nearly \$20 billion in assets, one of the country’s largest insurance providers needed to realign the cost of its fast-growth strategy. Skyrocketing technology costs made IT an excellent place to start – but, how? The company engaged NPI to benchmark its IT and telecom spending, and provide rigor and actionable intelligence for its sourcing operations.



Case Study: Large Insurance Provider

The Challenge:

- Needed to optimize IT spending to offset capital spend risks of high growth phase
- Under competitive pressure to upgrade existing infrastructure and invest in new technologies
- Siloed approach to sourcing lacked rigor and process

- Benchmarked \$18M+ of spending for investments in network, software, hardware, telecom and consulting services
- Identified material savings opportunities for 65 percent of sourcing events reviewed
- Direct and behind-the-scenes negotiations yielded 7 percent cost reduction for first year, and ongoing savings in years out

Fast Growth Meets High Risk

With nearly \$20 billion in assets, one of the country’s fastest-growing insurance providers hit a roadblock. Budget issues plagued their market growth plans, primarily due to a high ratio of capital expenses. The company began a massive cost-cutting effort that would allow them to accelerate growth with less risk, but they wanted to make the cuts in areas that would not compromise their renowned service delivery.

The company had heavily invested in technology-enabled trends such as mobile claims and online services to boost growth and customer service. As a result, the company’s IT and telecom costs had risen sharply across all fronts – software, hardware, network, wireless/ wireline and consulting services. They needed to improve spending control while still supporting fast-growth, IT-centric operations. They turned to NPI to identify savings opportunities, and help achieve them.

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“IT is enabling companies to grow faster than ever before, but the risk is higher. How well you source and manage IT has an even greater bearing on company performance. Overspending in this complex sourcing arena is a real problem – and it doesn’t have to be.”

Jon Winsett
CEO, NPI

Finding and Tackling the Roadblocks

After evaluating the insurance provider’s IT sourcing operations, NPI discovered flaws in the way the company purchased technology. For starters, it lacked a cross-functional approach to sourcing, which enabled vendor leverage and overbuying. The insurance provider was also failing to optimize licensing programs and usage across most of its major software, hardware, telecom, network, cloud and consulting investments. Finally, the company lacked the vendor, pricing and licensing landscape knowledge required to negotiate technology and telecom purchases effectively.

NPI triaged the situation by focusing initially on the insurance provider’s largest purchases and renewals. In the first year, NPI benchmarked pricing for the following:

- A major storage area network upgrade with multiple vendors, including Cisco and EMC
- Network service agreements for wireline, wireless, help desk and network management, including AT&T and Verizon
- Enterprise software purchases and renewals with IBM, CA, Oracle, Microsoft, Adobe and others

Within 12 months, NPI had reviewed more than \$18 million in IT and telecom spending. Approximately 35 percent of the transactions reviewed were in line with fair market value pricing and terms, while 65 percent presented material savings opportunities. NPI negotiated directly with vendors, and also served as a behind-the-scenes advisor, to help the insurance provider reduce costs.

NPI Captures Savings, Transforms Sourcing Effectiveness

NPI negotiated directly with vendors, and also served as a behind-the-scenes advisor to help the insurance provider achieve savings on 83 percent of the company’s overall IT and telecom spend. These efforts captured \$1.3 million in savings for the first year, which will drive an estimated \$2.2 million in savings across three years. Along the way, NPI advised the company on how to improve its IT sourcing operations; starting with breaking down the communication barriers between IT, sourcing and departmental stakeholders.

Meanwhile, NPI has become an integrated part of the insurance provider’s IT sourcing operations. The company relies heavily on NPI’s benchmark data and deep vendor intelligence to advise them on fair market pricing and discount targets, license optimization opportunities and competitive terms and conditions.

NPI continues to review millions of dollars of IT and telecom spending each quarter, uncovering substantial savings on the majority of transactions. As the insurance industry becomes more technology enabled, NPI is providing the company with sourcing intelligence that will enable the insurer to get more value for every budget dollar, drive smart innovation and capture market share.



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