

otto group

Otto Group IT takes a new direction

HPE helps to implement changes on both the organisational and process sides

Objective

Faster IT provision and better quality of service for companies within the Group

Approach

Complete transformation of Otto Group IT, including implementing a new hybrid IT operating model, with the help of HPE Transformation Consulting

IT Matters

- Otto Group IT will be able to cope with future challenges
- Company now has a more structured way of working
- Higher degree of standardisation and automation provides more time for innovations and projects
- Competitive service quality and prices have led to more companies within the Group becoming customers
- The company is now a more attractive employer

Business Matters

- Up to 90% reduction in IT provision times, thereby accelerating business project implementation
- Higher customer satisfaction with regard to IT services
- 40% decrease in Otto Group IT's running costs means that it can now provide quality and cost-optimised IT services
- End customers of the companies within the Group benefit from innovative shopping experiences based on reliable solutions provided by Otto Group IT



Otto Group IT transforms its organisation and processes with support from Hewlett Packard Enterprise. A new hybrid IT operating model comprising traditional IT manufacturing and IT service factory elements, and separate IT demand and delivery management systems, has enabled companies within the Group to implement business projects, such as those surrounding digital shopping experiences, faster.

Challenge 1

Otto Group

Founded in Germany in 1949, the Otto Group is a global retail and service company that employs almost 50,000 people around the world. The Group comprises some 123 companies in more than 30 countries across Europe, North and South America and Asia. These companies can be grouped into three main sectors: multichannel retail (including the companies Otto, Bonprix, Baur Versand and SportScheck), financial services (such as the debt collection agency EOS, Hanseatic Bank and e-payment specialist RatePAY) and the service sector (logistics service provider Hermes and predictive analytics provider Blue Yonder). The Otto Group generated total sales of €12.1 billion in the 2015/16 (29 February) financial year. With online sales totalling €6.5 billion, it is one of the world's largest online retailers. The three pillars of its multichannel retail segment are e-commerce, with over 100 online stores around the world, distance selling through catalogues and bricks and mortar stores.

“Shorter IT provision times mean that companies within the Otto Group can implement their own business projects, and therefore innovations, significantly faster than before. This includes a number of projects which are driving digital transformation within the Group – something that is a top priority for us.”

– Frank Borchard, Head of IT, Otto Group IT

The need for faster IT provision

Otto Group IT is the Group's main IT service provider, employing some 300 staff. Its service portfolio covers three key areas: applications, workstations and data centres. It operates a total of four active data centres, one of the main roles of which is to provide a private cloud with around 700 systems. Traditionally, the IT systems within the Group have been decentralised. There is no obligation for the individual companies to use Otto Group IT as their IT service provider. “This puts us in direct competition with external service providers, so we have to determine how we measure up,” explains Alexander Hauser, Vice President of Otto Group IT. “We noticed some time ago that we were coming off worse and worse in these comparisons. We were simply taking too long to provide hardware and services for areas such as databases and networks. The companies within the Otto Group want to be able to provide their customers with new services, such as online stores, quickly. And in our modern world, it's simply unacceptable to take two months to do something such as provide new servers for tasks like these.”

The number of projects being carried out at Otto Group IT was also constantly on the rise. But it did not have the time and resources necessary to cope, not least because of its traditional IT delivery model, which was similar to that of an IT

manufacturer. IT-related project plans would be developed according to the individual requirements of the business; the two sides would negotiate costs, then the solution would be designed and implemented by Otto Group IT. The company was providing some 80% of its services in this way.

Although it had a SPICE platform that would have given it the technical infrastructure necessary for standardised, automated and flexible service provision, the company did not yet have a suitable operating model for it.

Solution

Transformation consulting with HPE

“It was clear to us that we had to completely modernise our traditional IT delivery model. But we did not know what this would mean in practice. We didn't have the ideas, skills or resources necessary for a transformation of this scale. We needed external consultants with the right expertise – it is far easier for them to speak out about uncomfortable truths than internal staff,” remembers Frank Borchard, Head of IT at Otto Group IT.

So the company issued a tender and determined that Hewlett Packard Enterprise would be the ideal partner for its IT transformation: “HPE's expert knowledge, highly structured approach and methodological understanding really impressed us,” explains Hauser.



“We were sure that Hewlett Packard Enterprise would be able to provide the support we needed to achieve our objectives long term – and that the transformation process would not peter out halfway through,” continues Borchard. “We used a standardised process model based on the HPE Unified Transformation Framework (UTF) to plan and carry out the transformation at Otto Group IT. The framework was developed in-house at HPE Consulting and draws on the wealth of experience we have gained from the numerous transformation programmes we have carried out over the years,” says Christian Reichenbach of HPE Transformation Consulting. “It’s not only the architecture and technology we focus on, but also the service portfolio, organisation and culture, operating processes, software development processes and governance – the entire IT operating model.”

At the start of the transformation, the companies held a two-day HPE Transformation Workshop to determine the answers to the all-important questions: Where do we stand at the moment? Where do we want to be? Where do we need to take action? They considered both business and IT aspects, as well as the IT architecture and influences on the company’s organisation. “It became clear to us that we were already on the right track on the technical side – we could use the SPICE private cloud platform as a foundation for the new IT service factory – but on the organisational side, and in terms of our service portfolio and operating processes, we still had a long way to go,” explains Hauser.

An HPE Future State Definition Workshop followed, during which the two companies developed their vision of the hybrid delivery model. “We determined that what we wanted going forward was a hybrid IT delivery model, with at least 50% of the IT services being standardised and highly automated,” says Borchard. “We definitely could have aimed even higher in this objective, but it already represented a great step forward for us. You also have to take into account that there is a lot of software in use within the Otto Group that was developed in-house. This makes standardisation and automation much more difficult.”

Today, the company’s new organisational structure is based around a mixture of services, some of which are provided automatically and standardised from the private cloud at Otto Group IT, and some of which are provided following the traditional model for individual projects. Customers now have access to a catalogue with fixed prices for standardised services. Otto Group IT also has an internal service catalogue which staff can use to compile various standardised service components for different projects. These service catalogues are based on two sub-catalogues, the first of which contains all available IT assets, and the second of which covers services from external providers, such as managed or public clouds.

The next stage of the transformation was the fine tuning. New organisational topics were addressed in additional workshops, training sessions and conversations with Otto Group IT’s staff and customers – with HPE providing advice and support every step of the way. The transformation as a whole was broken down into a number of different domains.

Customer at a glance

HPE services

- HPE Transformation Consulting
- HPE Transformation Workshop
- HPE Strategic Roadmap Service
- HPE Unified Transformation Framework

“Had we not been able to work with Hewlett Packard Enterprise to implement this process of total transformation, we would be far behind the competition.”

– Alexander Hauser, Vice President, Otto Group IT

One of these was institutionalising governance, risk and compliance. Here, Otto Group IT brought in a new tool in the form of service level agreement reporting. Another area was IT service management and the associated processes. This involved going into fine detail regarding the implementation of an end-to-end demand management system, and the process of generating quotations for projects. The company’s service portfolio, and how it designs these services, have also been revamped. What services do customers want – and what exactly is Otto Group IT offering?

Parallel to this, project managers looked at each employee’s skillset to determine where they would be best suited within the new organisational system. All of these topics were brought together to form a strategic transformation roadmap, and were worked on in individual sprints so that the company would quickly start to see the benefits.

Benefit

Faster provision, better service, lower costs

“HPE’s methodologies were excellent, and enabled us to quickly understand where our sticking points were, how we wanted to work differently in future, and how we could get all of this through to our employees,” says Hauser.

“During the transformation process, we experienced a profound cultural shift that has affected the entire organisation and our processes,” he continues. “But we are not yet at the end of our journey.”

When asked what works better now than it did before, Hauser immediately replies: “Absolutely everything. In the past, our customers asked our IT administrators about changes to the IT infrastructure or new projects. Today, our demand management process is structured – via the service catalogue for standard services or our offer management system for anything else.”

The results of an initial customer satisfaction survey have shown that Otto Group IT has definitely chosen the right path.

It is now approximately 90% faster at providing new infrastructure services than it was previously. “This means that companies within the Otto Group can implement their own business projects, and therefore innovations are much faster than before,” says Borchard. “This includes a number of projects which are driving digital transformation within the Group – something that is a top priority for us.”

Added to this is the fact that the transformation has reduced Otto Group IT’s running costs by around 40% – a benefit that can be passed on to customers. “Had we not been able to work with HPE to implement this process of total transformation, we would be far behind the competition,” says Hauser. “More than that, due to our fast delivery times and better quality of service, we have been able to agree new contracts with companies within the Otto Group that weren’t previously working with us.”

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