

# The AA follows a road paved with innovation to growth and profitability.

## Overview

### ■ **Business Challenge**

*Under new ownership, the AA needed to not only build its own IT infrastructure from scratch, but also make it better able to support business innovation. The AA needed to transform its business processes to make them more cost-effective and better able to support profitable growth.*

### ■ **Solution**

*The AA teamed with IBM to build and manage a new IT infrastructure that enables the company to achieve greater market share and profitability.*

### ■ **Key Benefits**

- *£20M reduction in overall operating costs*
- *40 percent reduction in IT costs and 60 percent reduction in IT workforce*
- *Profit increase of more than 100 percent in two years*



*The Automobile Association, or AA, is one of the UK's biggest membership organizations, with 15 million members. It maintains some 3,000 dedicated patrols who deal with more than 3.5 million vehicle breakdowns annually.*

In the century since its founding, the Automobile Association ([www.theaa.com](http://www.theaa.com)) has remained the premier provider of roadside services in the United Kingdom. Along the way, of course, a few things have changed. As the car has become more and more embedded into the fabric of everyday life in the UK, the AA has kept pace with these changes by adding a range of complementary services, including the UK's premier insurance brokerage, publishing and driving tuition.

*“IBM had the breadth of competency needed to create a foundation for innovation in the AA, and then help us extend our business innovation – broader and deeper – to all parts of the business.”*

– Trevor Didcock, director of information systems, AA

## Transforming customer service through innovation

### Business Benefits

- 40 percent reduction in IT costs and 60 percent reduction in IT workforce
- £20M reduction in overall operating costs
- Profit increase of more than 100 percent in two years
- Lower customer service costs through a virtualized call center model
- Increase in overall business strategy flexibility

Indeed, on the way to becoming the UK's largest provider of roadside help services, with a membership of more than 15 million, the AA has also become the largest motoring services company – by some margin.

Not long ago, the AA underwent another important change when it was acquired by two leading European private equity firms, CVC Capital Partners and Permira. The new buyers were drawn by the strength of the AA brand, its market leadership and what may be the most advanced roadside service system in the world. But even more important was the opportunity they sensed to create additional business value within the AA by transforming all aspects of its operations. With the AA's markets growing more competitive and dynamic all the time, CVC and Permira committed themselves to making the investments needed to keep the AA at the top by making it better able to adapt.

### Same road...but faster and farther

Accelerating the pace of business innovation was a central part of the AA's strategy. It was not a question of changing the AA's basic business model, explained Trevor Didcock, the AA's director of information systems, but instead one of intensifying a pattern of innovation that has always been ingrained in its culture. "We've been around for a hundred years and we've been innovative from day one," says Didcock. "But our goal and challenge is to push innovation more broadly and deeply into the company than we've ever done before." A key enabler of this innovative push was the infusion of capital from the AA's new owners, which gave it the resources it needed to achieve its vision of faster systems and processes, greater flexibility and lower costs – and the AA's IT infrastructure played a vital role in making this vision a reality.

As with many established and venerable market leaders, the AA's systems had grown incrementally, with no all-encompassing framework to regulate or guide that growth. The resulting proliferation of disparate systems – exacerbated by the AA's acquisitions – had made the infrastructure more complex and restricted, harder to manage and less resilient. It was then also faced with the more immediate IT issue that sprang from the terms of the AA's change of ownership. As part of its purchase, the AA was required to sever all IT ties with former owner Centrica within 12 months of the deal's closure. Facing the need to create a new infrastructure from the ground up, the AA saw both a challenge and a "clean-slate" opportunity – and that successfully navigating this situation would require a provider with the right mix of experience, technology and resources. After a five-month search involving 16 providers, the AA turned to IBM, signing a seven-year, £50M outsourcing deal covering nearly every aspect of its IT infrastructure operations.

*"We chose IBM for its comprehensive off-the-shelf toolset and its unrivaled experience in supporting the transformation of enterprises. This expertise not only supports the current transformation work, but also gives us support in further innovation for the seven-year contract."*

– Trevor Didcock

## Sharing a vision of innovation

The AA's relationship with IBM was built on a shared vision of how the optimization of an IT infrastructure—as well as the processes around it—can improve operational flexibility. In the initial, critical stage of the project, IBM Global Technology Services was able to migrate the AA's infrastructure into two data center areas built specifically for the AA. To monitor and manage this streamlined infrastructure, IBM built an advanced service management layer using a standardized product set from the IBM Tivoli® product line, including IBM Tivoli Enterprise Console®, Monitoring, Configuration Manager and Storage Manager, respectively. The service management layer runs on a cluster of IBM System x™ servers, chosen for their superior manageability, availability and scalability.

The smoothness of the transition belied its complexity, notes Didcock, and reflects one of the key reasons IBM was selected. “The infrastructure transition was the most complex element of separation from Centrica,” says Didcock. “IBM and the AA stuck to the task despite the complexity of having to operate in Centrica's data centers and task manage people employed by Centrica and waiting to transfer to IBM. The separation project was completed six weeks before the 12-month Transitional Services Agreement with Centrica expired and was a central component of the reduction in information systems running costs in the AA.”

Although the AA's transformation efforts were rooted in its IT infrastructure, the fruits of these efforts are most evident at the business strategy level. With competition growing, the AA's main business imperative was to align its business processes in a way that would support cost-efficient growth and improved customer service. The fact that the AA's insurance business has recently broken through the one million motor policies mark is an example of the improvements made in all business lines.

## Lean, flexible and effective customer service

Process innovation has also been significant. A key case in point is how IBM improved the AA's ability to support remote “teleworkers” (working from their homes) within its call center operations, which has enabled the AA to shift from a more traditional, fixed-cost call center model to a more flexible, virtualized model. The fact that the new IBM-hosted infrastructure was able to lower the cost of teleworking, while improving its reliability, enabled the AA to grow its teleworking activities—both in the number of remote staff and in the parts of the business leveraging teleworking. Even as call center costs and staffing levels have fallen, customer service levels have improved by virtue of the ability to ramp up staffing at peak times. This in turn has improved the AA's responsiveness to roadside breakdowns. The AA's plan to extend its teleworker model beyond roadside services to other lines of business exemplifies how IBM has helped the AA extend business innovation deeper within and wider across the company.

## Key Components

### Software

- IBM Tivoli Enterprise Console
- IBM Tivoli Monitoring and Tivoli Monitoring for Databases
- IBM Tivoli Remote Control
- IBM Tivoli Configuration Manager
- IBM Tivoli Storage Manager

### Hardware

- IBM System x
- IBM 3584 Ultrium UltraScalable Tape Library

### Services

- IBM Global Technology Services—Worldwide Strategic Outsourcing

### Time frame

- Infrastructure setup: 5 months
- Help desk setup: 3 months
- Innovation support: Ongoing

## Why it matters

*The AA translated the need to build an IT infrastructure from scratch into an opportunity to reinvent itself as a company. By transforming its infrastructure and business processes, the AA has been able to accelerate the pace of business innovation—and to extend those innovations more broadly and deeply within the company. A key example is its ability to deploy a more flexible call center model, which has improved service levels.*

## Simply lower costs

Lastly, the AA's cost and efficiency improvements have also been manifest within its IT processes, owing in large part to the standardized systems management platform put in place by IBM Global Technology Services. Through a combination of automated, streamlined and simplified processes—and the outsourcing of non-core services (such as help desk services for its newly standardized base of 4,500 PCs) to IBM—the AA has reduced its IT costs by 40 percent and the size of its IT workforce by 60 percent. All told, the AA's transformation of IT has extracted more than £20M in costs from its operations, double its initial expectation. It is factors such as these, together with growing market share, that have enabled the AA's profitability to double under its new owners.

While happy with its results so far, the AA is committed to building on its success—and it considers IBM a key part of the formula. To that end, its ongoing plan is to bring its own planners together with key IBM staff to continuously search out opportunities for innovation within its operations. What's more, the company is in the process of putting in place a pay-as-you-go utility computing environment—beginning with e-mail—that will give the company even greater operational flexibility, says Karen Gillespie, the AA's head of service delivery. “We need an IT function that can support rapid change in the new AA. IBM's service delivery approach is consistent with our vision of how we should manage our computing resources and gives us the flexibility we need to innovate across our business.”

## For more information

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