

Surviving the Unpredictable: CompuCredit turns to NPI Advise™ to Weather Economic Storm



Risk is no stranger to CompuCredit. In fact, it's part of the company's corporate mission – to provide financial services to consumers that are underserved by traditional financial institutions.

However, "risky business" was redefined for the financial services and lending industry in August 2007 as the market took a sharp downturn. In response, CompuCredit searched for ways to keep its IT and service operations functioning at optimal levels without overspending.

The company enlisted NPI Advise as part of this initiative. CompuCredit partnered with NPI's technology spend management experts to increase the flexibility of its IT infrastructure and prepare its operations to contract and expand as warranted by market demand.

Success Story: CompuCredit

The Challenge:

- Improve the tradeoff between cost and level of service, and establish a more efficient platform for growth
- Re-engineer IT infrastructure services for greater flexibility in light of changing market conditions
Strengthen IT asset management practices
- Reduce technology spend where possible
- Protect IT, productivity and customer service levels to drive customer satisfaction despite spending cuts

- Reduced IT spend by more than \$1M for first year, resulting in savings of more than \$3M over the next three years
- Outsourced management of operational functions such as storage, application support and helpdesk support to create an on demand computing environment
- Improved lifecycle asset management of the company's IT asset portfolio
- Transitioned key vendor agreements from a fixed pricing model to transaction-based pricing in order to support changes in market demand without overspending
- Decreased vendor support and maintenance costs by identifying areas of excess spend as well as optimizing and removing unneeded support costs

Flexible IT – Agility that Defies Market Conditions

In August 2007, the financial services and lending industry began to weather an economic storm that is still brewing today. In anticipation of a market downturn and the rebound period that would follow, CompuCredit launched an initiative to improve the flexibility, service levels and cost structure of its IT infrastructure services. This way, CompuCredit could prepare its global IT infrastructure services to contract and expand with market demand without overspending.

At the core of this initiative was a quest to more efficiently manage technology spend and the company's IT asset portfolio. The company anticipated a slowdown in its growth and marketing activities as the economic downturn continued. However, they knew that there would be a period of account growth following the downturn and any reductions in infrastructure had to be temporary. Without deeply understanding how to manage the spend and flexibility of its IT operations, CompuCredit risked wasting costs on unused technology as well as risked the ability to keep up with the rebound in demand as market conditions increased.

“NPI helps make sure that every decision we make is engineered for hard dollar savings, intelligent risk management and vendor productivity. The results have been astounding. In two years, we’ve more than doubled our return on investment each year, while knowing we’re paying fair market value for all of our IT purchases at a reduced level of risk. NPI’s access to the latest vendor management tips and best practices has also helped us improve how we manage our vendors and asset portfolio.”

Guido Sacchi
CIO, CompuCredit

Reducing Today’s Spend for Tomorrow’s Market Gains

In response to these risks, CompuCredit turned to NPI’s Advise program to evaluate its vendor portfolio, develop an IT savings roadmap and create vendor management strategies that fostered flexibility. Additionally, NPI established transaction-based pricing models with several IT vendors, reviewed support and maintenance agreements to identify areas of excess spend, and renegotiated maintenance agreements with vendors to support the infrastructure adjustments.

CompuCredit’s investment in NPI Advise is delivering overwhelming financial and customer-facing results. From a financial perspective, CompuCredit’s initiative will yield more than \$1 million in IT savings for 2008. Over the course of the next three years, this initiative will save the company more than \$3 million.

Just as importantly, the flexibility afforded by NPI’s recommended infrastructure changes will keep operations running smoothly through the short and long-term flux in economic conditions. This will enable CompuCredit to protect its customer service levels and retain customer loyalty during the market downturn.

Transforming Fixed Costs into Variable Costs

NPI achieved these impressive savings by transforming many of CompuCredit’s fixed costs into variable costs. This was achieved in the following ways:

- On Demand Computing – NPI identified areas that could be more easily outsourced, such as storage, application support and helpdesk support. Under NPI’s guidance, CompuCredit was able to source vendors and develop flexible agreements. This allowed for fair market value pricing, IT governance, collaboration, risk management and benchmarking.
- Transaction-based Vendor Pricing – Through its initial IT portfolio evaluation, NPI identified several vendor agreements where fixed pricing models were no longer suited to CompuCredit’s business demands. While CompuCredit anticipated a decrease in the number of customer transactions, as well as a decrease in the amount of storage needed to house those transactions, they knew this decrease would be temporary. In response, NPI asked vendors to incorporate transaction-based pricing into their current agreements. This allowed CompuCredit to only pay for the products/services being used as well as reduce its financial risk.
- Reducing Support & Maintenance Costs – NPI reviewed CompuCredit’s entire suite of software to identify areas where the company was spending more than their peers, and to identify creative ways to reduce support and maintenance spend. NPI continues to work with CompuCredit to adjust their support and maintenance contracts to optimize and remove unneeded costs and ensure all pricing is best in class. This will substantially reduce support and maintenance costs in the near and short-term.

From an operational perspective, these same strategies have provided CompuCredit the flexibility to scale down its IT operations while protecting its ability to scale up as market conditions improve. This is crucial to helping CompuCredit maintain its level of productivity, operational efficiency and customer service as the economic pendulum swings from recession-like conditions to recovery.

