



Benchmarking interview with Fraport AG

Controlling Krieg's formula

Fraport AG has outsourced more sections of its IT to Operational Services (OS), a joint venture with T-Systems. After a benchmark, CIO Dr Roland Krieg is now in a position to assess the situation.

Maturity: You assessed the prices and services of your outsourcing project by means of a benchmark project. Why?

Krieg: At our request the outsourcing contract at the time contained a clause whereby a benchmark had to be carried out after three years. This was not inserted to conduct a general assessment of the project as a whole. Our outsourcing contract states that the costs charged to us over the first few years should fall by at least five percent. The intention now was to find out whether we actually managed to achieve this target and whether we are still paying competitive market prices in the fourth year of the contract. I was very keen to find out what I now know.

Maturity: What was the result of the benchmark?

Krieg: The benchmark enabled us to find out that the prices charged by our service provider OS are competitive. Overall the charges compare favourably with the better market prices. Naturally there are some values which are above or below the average but that was hardly a surprise to us. Anybody who issues a large number of tenders will know that the overall cheapest supplier may have some individual costs which are surprisingly high. To sum up, the overall value is excellent

whilst the high and low cost items balance each other out and there are no consequences for the contract.

Maturity: The high cost items are surely of more interest to you. What can you do about them?

Krieg: Some prices do need a review but we will have to study the whole thing in detail. One of the reasons for the discrepancies is certainly the relatively complex model we have used since the start of the joint ventures to calculate the increases and reductions in goods and services. The model consists of a base amount, an amount which increases on a linear basis up to the expected value and also another linear increase, but one which is flatter as a result of the scaling effects. We developed this so-called 'Krieg's formula' at the outset of the outsourcing project to predict price developments.

Maturity: And how do you sum up the results of the outsourcing project to date?

Krieg: When we concluded the contract one of the important points as far as I was concerned was to see after a certain length of time whether our original ideas and expectations would prove to be correct. This not only relates to the devel-

Profile



Company
Fraport AG

Websites
www.fraport.de, www.gedas-os.de

The interviewee
Dr Roland Krieg is Senior Vice President IT of Fraport AG. The OS (Operational Services) joint venture is owned equally by Fraport and T-Systems.

opment of prices and services using our economies of scale model, but also to our work within the joint venture. This requires permanent adjustments because just as with prices, there are highs and lows. At the end of the day, however, we have found the outsourcing to be very positive and would do the same thing again if necessary. ■