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Data Center Summit: Commoditization of Hosting Services

Sunday May 20, 2007 3:30-4:30pm

Speaker - Elliot Zeltzer Vice President Network and Datacenter Services

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This session will discuss:

- State of Hosting centers as a commodity
- Strategies for choosing a hosting model
- Apply "3rd generation outsourcing" strategies

Agenda

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- **TransUnion – Who we are**
- Hosting centers as a commodity
- Strategies for choosing a hosting model
- “3rd Generation Outsourcing”
- Wrap-up / Questions

TransUnion – Who we are

We are a global leader in credit and information management

- For more than 35 years
- Worked with business customers to gather, analyze and deliver critical information
- We take pride in our integrity, our honesty and the strength of our relationships
- We are a knowledgeable and trusted colleague
- We create advantages that allow our customers to improve their businesses

We believe that insight is power - the power to give consumers the financial opportunities they deserve, the power to help businesses minimize risk and make more informed decisions, the power to help build credit economies around the world, the power to achieve dreams.

We are TransUnion.

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Company Structure:
TransUnion solutions comprise four distinct areas of expertise

Information Services
With enterprise-wide decisioning technologies, advanced analytics and specialized market expertise, we leverage data and these capabilities to help clients meet their objectives and make better decisions.

Our Capabilities
•Marketing Services
•Fraud and Identity Management
•Risk Management
•Collections Management

Our Key Markets
•Automotive
•Collections
•Communications
•Financial Services
•Healthcare
•Insurance
•Retail

Our Capabilities
•Customer Acquisition
•Residential Credit
•Flood Zone Compliance
•Collateral Valuation
•Property and Title
•Closing
•Post-closing

International Services
Whether it's a domestic company expanding overseas or an international company in need of a proven partner, we combine powerful information resources with the nuances needed to succeed throughout the world.

Our Capabilities
•Consulting Services for Developing Credit Reporting Infrastructures
•Technical Licensing
•Debt Collection
•Asset Registration
•Direct Marketing
•Analytics

Real Estate Services
We simplify each step of residential lending for mortgage lenders by working with them to understand their operations, integrate an automated Web solution, acquire more qualified applicants and reduce processing delays.

Consumer Services
TransUnion Interactive develops and markets credit-based products and services that deliver value to both consumers and the nation's largest financial institutions.

Our Capabilities
•Superior credit monitoring and identity theft protection products for consumers
•Private-label, online and offline credit management solutions for the nation’s leading financial institutions
•Powerful marketing analytics and response management
•Comprehensive direct marketing agency services, including program planning, creative development, media and production

TransUnion Interactive

With TransUnion Interactive, businesses can better acquire customers, strengthen long-term customer value and increase their bottom line, while consumers can learn how to manage and control their credit.

Consumer Products
Through our award-winning Web site, TrueCredit.com, TransUnion Interactive makes credit management easier and more personal for consumers. At TrueCredit.com, consumers can enjoy online educational materials, free monthly newsletters and easy-to-use credit products.

To learn more, please visit www.truecredit.com.

Partnership Opportunities
Partner with TrueCredit.com to provide your customers with outstanding information and resources.
Give consumers powerful credit management tools to make better financial decisions.

Direct Marketing Expertise
Get the benefits of our direct marketing agency services combined with our financial expertise.
Increase your response rate and improve conversions throughout your marketing cycle, from program planning and development through follow up.

Truecredit.com

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TransUnion Presence in Over 30 Countries

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Costa Rica
Colombia
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Puerto Rico
Trinidad & Tobago
United States
Venezuela

EUROPE
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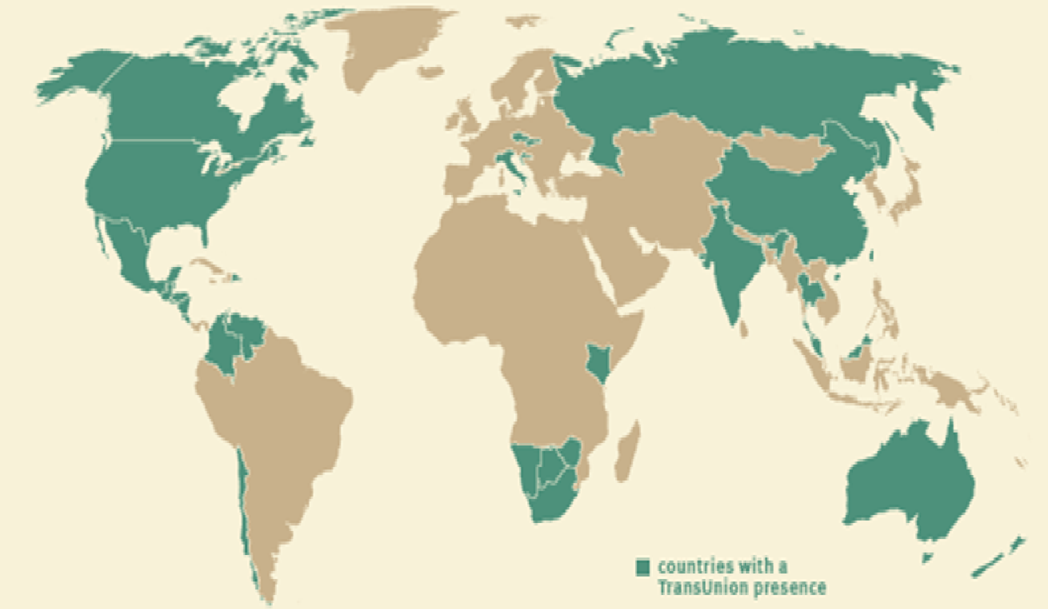
Czech Republic
Italy
Russia
Slovakia



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Botswana
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Australia
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China (Shanghai)
India
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Singapore
Thailand

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- **Hosting centers as a commodity**
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Hosting centers as a commodity

- **When do we?:**
  - Share
  - Build and own; Purchase or lease
  - Outsource

Share?

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- **Older Strategy**
- **Once thought that two or more organizations could pool together to reduce costs**
- **Despite similar goals even organizations in like industries generally have quite different operational models, needs**
- **Who or more importantly which organization runs it?**
  – Where are the loyalties --- Is their own work more important?
- **What do we do about?:**
  – SLA's
  – During business down turn or financial troubles
  – How to exit relationship?

Build and own; Purchase or lease?

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- **Can look financially interesting**
- **Provides complete control over facility / assets**
- **No mater how good the forecasting is:**
  - if the business grows so will the infrastructure requirements eventually hitting the “walls” requiring more investment
  - Peaks and valleys
- **Facility and service growth gated by annual Cap/EX and sustain/operating budgets**
- **Manpower resources are inelastic**

Outsource or managed service?

- **Highly developed service offerings – Secure "Bunkers"**
- **Facilities are built for purpose**
- **Very elastic:**
  - Facility growth
  - Technical expertise
  - Operational support
- **Buy by the "drink" or usage and service based**
- **Will go up the "stack" as customer needs drive**
- **Are driven for strong financial performance goals that demand innovation and predictable service**
  - Driving our cost and increasing operating efficiencies
  - Investment capital and private equity are investing in Hosting centers -- REITS

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Strategies for choosing a hosting model

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- “Major Rules”
- Sourcing guidelines
- Hosting strategy

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"Major Rules"

- **All IT operations will be guided by a:**
  - Common strategy
    - Uniform enterprise concept of operations – (e.g. ITIL)
    - Standardized operational procedures
    - Acquisition and useful life standards – (EOSL refresh)
    - Release block pointed solutions for infrastructure

“Major Rules”

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- **The business must continue running**
  - Datacenter operations must assure the business delivers services that generate revenue
  - Investments or enhancements are not main goals
  - All new facilities must be in compliance with infrastructure, operating process, templates
- **The business must be safe and secure**
  - Infrastructure and Systems must be protected against all threats, internal and external
  - As proprietary information provides a competitive edge in the marketplace, facilities and data must be aggressively secured
  - Security must be weighed in consideration of easy flow of information among authorized users (e.g., Partners, JVs, Suppliers and Customers)
- **The business must be competitive**
  - Underlying infrastructure and Applications are key to a competitive advantage
  - Focused technology delivered in the right place at the right time with value will be a key success driver
  - Support for growth and new application development
- **Drive Value**
  - Clearly reduce DataCenter Infrastructure costs and percentage of IT spend

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Sourcing guidelines

- **Sourcing Strategy**
  – Describes how to select suppliers and encourage competition
- **Technology Strategy**
  – Defines major technological trends that support the overall strategy
  – Facets of the technology transformation will be highlighted
- **Cost Efficiency**
  – Describes how the strategy will encourage long term cost savings
- **Risk Mitigation**
  – Details how the strategy will ensure that data is available, intact, how networks and systems remain robust and available, and services will continue despite contingencies
  – Recovery and restoration strategies may also be included

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Hosting strategy

- **Sourcing Strategy**
  – Hosting services will be consolidated to a broad view with uniform processes
- **In-Region Hosting**
  – Latency sensitive apps and legally required to run in country remain local
- **Specialty – Custom Solution Systems Hosting**
  – Custom (be-spoke) computers are hosted in local location today, new systems to be hosted in hosting centers
  – Primary driver will be a cost tradeoff between hosting center costs and telecom charges
    - Critical specialty and latency sensitive apps may be hosted in small remote offices, outside the global/ regional data centers (this practice should be generally avoided)
    - Applications required to sustain production and with extreme latency sensitivity will be hosted locally

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Hosting strategy

- **Cost Efficiency**
  - Consolidate hosting operations to fewer centers for hosting COTS, global apps, and latency sensitive regional apps
  - There will be fewer centers and machines
- **Risk Mitigation**
  - Each primary hosting center will have a DR backup center (logical data centers)
  - Data centers will be configured in pairs capable of sustaining a single site loss critical apps or services

Hosting operations strategy

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- **Sourcing Strategy/Cost Efficiency**
  - Services within data centers will be provided in a template-based SOW (3 divisions of service)
    - **Premises support** – building, HVAC, and some premises network
    - **Below-the-line (BTL)** – operating environment support (platform, backup and recovery, monitoring of the environment)
    - **Above-the-line (ATL**) – application and middleware support, and alert availability management coordination
- **Customer Infrastructure responsible party will own and monitor supplier performance**
  - Premises, BTL, ATL
- **Competition results from multiple vendors providing**
  - standardized services
  - capable of deployment at any given hosting facility

Hosting operations strategy….

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- **Contracts will be designed such that**
  - Multiple providers can operate in any other performing supplier’s data center
- **Technology Strategy**
  - Equipment in strategic data centers will be contracted to maintain innovation and avoid EOSL (end of service life)
- **Risk Mitigation**
  - Establish best practices around data center design, architecture, and execution
    - Founded on ITIL Process Framework
    - Founded on comprehensive facility specifications and standards

Hosting sourcing strategy

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- **Sourcing Strategy**
  - Implement a multi supplier strategy for procurement
- **Technology Strategy**
  - Deploy fixed builds in fixed increments – builds will be stabilized between releases
- **Pursue categories of servers**
  - Big Boxes with virtualization
  - Single image or clustered Systems (non-virtualized environment)
  - Large scale massive computing
  - Mainframe
- **Manage servers; 3 categories**
  - Capacity - Small, Medium, and Large
  - Availability - Base, Standard, High, Continuous

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Hosting sourcing strategy….

- **Manage to supported releases**
  - Major Releases: (1)
  - Minor Releases: (1.22)
  - Patch Releases: (1.22.3)
  - Security Releases: As required
- **Primary Operating Systems to be identified**
  - Microsoft & UNIX derivatives
- **Shift from multiple separate servers to cluster architecture**
- **Systems critical to customer delivery to be designed for 'High Availability'**

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“3rd Generation Outsourcing”

- 1st generation
- 2nd generation
- 3rd generation

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1st generation

- **Supplier could be:**
  - Internal organization moved to a separate company co-located or acquired
  - Driven to run as inside/outside (with profit model)

- **Employees move to supplier organizations**
  - Business, process and strategic knowledge

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1st generation

- **Issues**
  - Lack of:
    - Financial governance
    - Competitive sourcing
    - Operational governance
    - Performance metrics
    - Technical innovation
    - Process improvement
    - Cost reduction
- **Loss of:**
  - Strategy ownership
  - Business knowledge
- **Very little understanding**
  - Of services delivered
  - a quantifiable role/function/asset model
- **Questionable SLA definition**

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2nd generation

- Recognition of 1st generation shortcomings
- Separate from "IT insourcer"
- Institution of Master Service Agreement
- Implementation of competitive sourcing
- Larger body of suppliers

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2nd generation

- **Lack of**
  - Financial governance
  - Operational governance
  - Performance metrics Technical innovation
  - Process improvement
  - Cost reduction
- **Loss of**
  - Strategy ownership
  - Business knowledge
- **Very little understanding**
  - Of services delivered
  - a quantifiable role/function/asset model
- **Questionable SLA definition**
- **Management challenges**
  - Lots of suppliers

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3rd generation

- **Overriding outsourcing strategy**
  - 100% of business knowledge and intellectual properirt remain with customer
  - Owned by customer:
    - Strategy
    - Technical Architecture
    - Supplier Governance
    - SRM (Supplier Relationship Management)
    - Metrics and assessment
    - Financial
- **Open competition for IT services**
- **Integrating suppliers**
  - Reduce number of direct contracted suppliers
  - SLA continuity
  - Standard working model based on common processes (ITIL)

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3rd generation

- **Implements:**
  - Financial governance
  - Competitive sourcing
  - Operational governance
  - Performance metrics
- **Recovers:**
  - Strategy ownership
  - Business knowledge
- **Implements detailed understanding**
  - Of services delivered
  - a quantifiable role/function/asset model
  - Technical innovation
  - Process improvement
  - Cost reduction
- **Comprehensive SLA definition**
- **Demands multiple supplier working model**

Analysis

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- **1st Generation model is obsolete**
- **2nd Generation model is marginally improved over 1st gen. but has significant gaps**
- **3rd Generation model can be very effective**
  - Must understand limitations in influence over suppliers based on customer size and spend
  - Must create effective regime to manage and own:
    - Strategy
    - Technical architecture
    - Finance
    - Governance and SRM (supplier relationship management)
    - Competitive Sourcing
    - Innovation
- **Why build … commodity players have created efficient model?**

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Wrap-up

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Summary:

- **Datacenter service provider hosting has reached the level of commidization that offer:**
  - Cost efficiencies – highly competitive
  - Usage base consumption
  - Technical innovation
  - High level of security
  - Common standards and processes globally
  - High Value

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Thank you

Questions?

