

## **Xerox Will Acquire BPO Service Muscle With ACS Purchase**

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Xerox's planned purchase of Affiliated Computer Services should significantly enhance its business process outsourcing capabilities, provided Xerox can leverage its software and hardware advantages.

## NEWS ANALYSIS

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### Event

On 28 September 2009, Xerox said it agreed to buy business process outsourcing (BPO) firm Affiliated Computer Services (ACS) for \$6.4 billion in cash and stock.

### Analysis

This planned acquisition is somewhat surprising, since Xerox's service orientation is managed print services (MPS) and strategic document outsourcing (SDO), aligned with its printer hardware and software business, while ACS is focused on horizontal and industry-specific BPO. Yet each has something the other wants, and on paper the deal features an intriguingly complementary set of services.

Xerox has had BPO aspirations for years, but even as it indicated its desire to move into higher value-added BPO services, it often retreated to its document comfort zone. Xerox viewed its BPO services as being at the nexus of documents, automation and workflow, as well as getting unstructured data into a digitized format, but lacked the necessary skills and track record to bring these services to broader, big-ticket BPO engagements. With this deal, ACS will bring savvy BPO marketing, packaging, pricing, deal pursuit and execution to the table, while Xerox's brand and global client reach should bring strength in the Asia/Pacific region and Europe, where ACS has not established inroads.

Critical to the deal's success are, first, marketing and sales management's ability to implement an enterprisewide approach to customers that capitalizes on ACS's proven ability to cultivate strong, long-term BPO relationships, and second, Xerox's ability leverage its services and software to reduce manual-intensive processes. ACS has grown its BPO revenue to 79% of total revenue as of 2008, with the remainder from IT outsourcing, which may also pose a conflict with the IT outsourcing partnerships Xerox has in place.

## RECOMMENDATIONS

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### Clients of both companies:

- Proactively ask for the account management team you want to operate the full suite of services from the combined corporation.
- Evaluate becoming one of the first to combine Xerox's MPS or SDO services with ACS' BPO services via a single contract, to leverage potential price-based "first-mover advantages."
- Beware of integration issues in early delivery of combined services.

### ACS clients:

- Evaluate opportunities to improve your document and image processing workflows, and review the change-of-ownership provisions available to you in current contracts.

### Xerox leadership:

- Implement a cohesive and comprehensible marketing campaign explaining how the two offerings complement each other.

- Retain ACS's service-led go-to-market strategy.
- With respect to BPO, follow ACS's previous lead in deal pursuit and management, and re-evaluate sales talent as to who can migrate up to BPO services sales.
- Work to drive down the increased debt load.
- Increase the margins by swiftly implementing Xerox's document-processing hardware and software to cut ACS's labor costs.

## RECOMMENDED READING

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- "SWOT: Affiliated Computer Services, Business Process Outsourcing, Worldwide" — This research describes the global capabilities of ACS, the third-largest BPO service provider worldwide. **By Cathy Tornbohm, Robert Brown, TJ Singh and John Lovelock**
- "Strategic Document Outsourcing Improves Customer Communications" — Strategic document outsourcing cuts publishing costs while retaining customers and growing revenue. **By Pete Basiliere**

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