INTEROFFICE MEMORANDUM

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Date:      22-Jul-1994 05:46pm EDT
From:      ARAMATI
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TO: See Below

Subject: July 13, 1994 CVC Meeting Minutes

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INTEROFFICE MEMORANDUM

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TO:   Attendees (see below)      DATE:       18 July 1994
CC:   Charlie Christ             FROM:       Victor S. Aramati
      Carl Gustin                FUNCTION:   CVC Program Manager
      Enrico Pesatori            TELEPHONE:  223-6051
      John Rando                 NODE:       ASABET::ARAMATI
                                 M/S:        MLO1-4/T25
                                 FILE:       3.2.1
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SUBJECT: July 13, 1994 CVC Meeting Minutes

A meeting was held on 7/13/94 to reach decisions regarding the proposed management scheme to implement CVC's initiatives.

The following is a brief list of decisions, actions items, and comments.

I.   DECISIONS

       The following decisions were reached during this meeting:

       1.   The management scheme presented by Russ Gullotti was agreed to, i.e.

            a.   Sales Tools move to Tony Craig and managed by Ian Ferguson.

            b.   Managed Offerings process moves to Carl Gustin and managed by Peter Hussey. Carl is the keeper of the Managed Offering process and responsible to integrate the process across the various product managers. The implementation of the process is done by Product Management.

            c.   Database project, managed by Michel Brassart, stays with Russ for now; decision on appropriate "home" will be reached by end of August.

d. Formation of a CVC Program Office under Russ and managed by Vic Aramati.

e. Spending of $30 million and capital of $10 million. (The decision was to move forward; however, the issue was not closed. See item II.2.a. below)

2. The "territories" participants consented to maintain the current level of support, resources and skills.

3. The attendees agreed to publicly acknowledge the work of CVC and communicate their support.

4. Strong recommendation to change the name of CVC immediately; the CVC team will propose a new name.

5. Liberator is not an appropriate tool for MCS; however, MCS management is committed to support the work as they need to load the appropriate Service information in Liberator, synchronized to the CSD schedule.

II. ISSUES/ACTION ITEM

The following are issues/action items that need to be addressed:

1. Managed Offerings

   a. The concept is sound and the process needs to be absolutely implemented; however we need to be careful in implementation. How do we get started? It requires cultural change; moreover, how do we map the old products onto this new process? For example, let us pick high value products to start implementation, e.g., SABLE, where the process must work, rather than be all encompassing.

      ACTION ITEM:

      Carl Gustin/Peter Hussey to call a meeting with Willy Shih, Bill Demmer, etc. to review process, define implementation and schedule.

2. Budget

   In the past, CVC has funded the areas for various aspects of this work. The reduced $30 million proposed budget has necessitated a reduction in deployment funds. In fact, the areas would need to spend up to $9 million; currently the areas have no money for this work in their budget. The discussion raised two issues:

   a. The funding source for the $30 million proposed budget.

      ACTION ITEM:

      Russ will initiate a discussion on Saturday 7/16 on budget and source of funding.

      STATUS

The discussion occurred and the decision was made to allocate $6 million for the centralized CVC development for Q1'95. However, the spending plans for the SBU are incomplete; significant additional work needs to be done on spending.

b. Funding for the areas.

ACTION ITEM

The areas will look at alternative means to fund the deployment by reprioritizing the work of their existing resources.

3. Vincenzo Damiani requested a review of the work in terms of content, execution and customer focus before he agrees to any funding. (CVC Program Office action item, Vic to assign owner and process.)

4. The attendees agreed that this project is risky but the work must go on; therefore, they support the work but

a. Need to see the context, i.e., more details regarding deliverables and execution.

b. Need to be confident that the work will be implemented.

ACTION ITEM:

Tony Craig, Carl Gustin and Michel Brassart to get back to the areas with the needed details, plans and information. (Could also cover item II.3)

5. Investigate the possibility of accelerating the deployment of Liberator by installing ONE in every sales office rather than a total country by country sequential deployment. Moreover, Tony should consider putting the tools in the sales operations offices as another means of speeding deployment. Could these techniques allow for a worldwide deployment by April '95?

ACTION ITEM:

Tony and Russ to look at the whole deployment plan from these perspectives.

III.   COMMENTS

These are general comments, captured here to reflect the degree of audience involvement along with miscellaneous cautions and advice:

1. The Offering Management process design should start with the customer. It should include hardware, software and services.

2. Customer Profile database should include recent sales (e.g., recent SABLE sales) along with competitive information.

3. Data should be available in different languages (e.g., Japanese) in order to satisfy the need of the geographies.

4. Spending cuts are the reason for following a sequential versus a parallel deployment.

5. CVC should not only capture the costs but also the savings.

6. We need to get people in the territories involved in this work, e.g., field folks, branch managers, etc.

7. Assess budget needs for the Offering Management implementation.

"ATTENDEE" LIST: Vic Aramati
                          Ray Bedard
                          Michel Brassart
                          Bobby Choonavala
                          Harry Copperman
                          Tony Craig
                          Vincenzo Damiani
                          Ian Ferguson
                          Russ Gullotti
                          Rustom Kanga
                          George Kassabgi
                          Karen Kupferberg
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Use the RDL option to see remainder of distribution lists.

CUSTOMER VALUE CHAIN

FY95 OVERVIEW

- FY94 and FY95 Spending

- FY95 Spending by Category

- Cost per Person

- FY95 Summary Base Case

- FY95 Development vs Deployment

- Capital Spending

- Impact of Proposed Work

- Alternative Proposal

- Other

Customer Value Chain
FY94/FY95 Spending Summary

Values in $K	FY94		FY95				
	Q4	Total	Q1	Q2	Q3	Q4	Total
Offering Management	$1970	$3630	$1975	$1968	$1896	$1856	$7695
Lead & Campaign Mgmnt	$800	$1142	$2587	$2487	$2292	$2192	$9558
Digital-on-Line	(*)	(*)	$1834	$2073	$1732	$1624	$7262
Config/Quote/Propose	$1100	$1716	$2033	$1997	$1866	$1840	$7735
Knowledge Aquifer	$2157	$3769	$2108	$2091	$1634	$1667	$7500
Program Office, IDT	$1029	$2864	$125	$125	$125	$125	$500
Depreciation, S/W lic etc.			$2338	$3151	$3622	$4093	$13204
TOTAL	$7056	$13122	$12999	$13892	$13166	$13396	$53454

(*)included in Config/Quote/Propose

Customer Value Chain
FY 95 Spending by Category

Value in $K	People Costs	S/W Licences	Deprec	Travel	Training	Other	Total
Offering Management	$5396			$105	$200	$1995	$7696
Lead & Campaign Mgmnt	$6061	$3200		$870	$1100	$1521	$12752
Digital-on-Line	$5472			$465	$650	$674	$7261
Config/Quote/Propose	$5424	$4000	$1875	$465	$650	$1196	$13610
Knowledge Aquifer	$7206	$1082	$1395	$100	$100	$1753	$11635
Program Office	$500						$500
TOTAL	$30059	$8282	$3270	$2005	$2700	$7139	$53454

Customer Value Chain
FY95 Summary

Values in $K	Resources	People Costs	Cost per person
Offering Management	37.8	$5396	$143
Lead & Campaign Mgmnt	58.5	$6061	$104
Digital-on-Line	50.7	$5472	$108
Config/Quote/Propose	50.4	$5424	$108
Knowledge Aquifer	53.3	$7206	$135
Program Office, IDT etc	4.0	$500	$125
Total CVC	254.65	$30059	$118

Customer Value Chain
FY95 Summary

	$K	Average FY95 Headcount		
		Direct	Indirect	Total
Offering Management	$7695	14.8	23.0	37.8
Lead & Campaign Mgmnt	$9558	18.4	40.1	58.5
Digital-on-Line	$7262	9.8	40.9	50.7
Config/Quote/Propose	$7735	10.8	39.6	50.4
Knowledge Aquifer	$7500	22.3	31.0	53.3
Program Office, IDT etc	$500	4.0	0.0	4.0
Sub-Total	$40250	80.1	174.6	254.7
Depr, S/W lic. etc	$13204			
TOTAL	$53454	80.1	174.6	254.7

Customer Value Chain

FY95 Development vs Deployment Costs and Resources

	Development		Deployment		Total	
	$M	Av Dir/Indir	$M	Av Dir/Indir	$M	Av Dir/Indir
Offering Management	0.7	7.0	7.0	30.8	7.7	37.8
Lead & Campaign Mgmt	3.4	26.1	6.2	32.4	9.6	58.5
Digital-on-Line	4.7	39.4	2.6	11.3	7.3	50.7
Config/Quote/Propose	4.5	37.3	3.2	13.1	7.7	50.4
Knowledge Aquifer	5.1	38.9	2.4	14.4	7.5	53.3
Program Office	0.5	4.0	0.0	0.0	0.5	4.0
Depr, S/W lic. etc			13.2		13.2	0.0
Total	18.9	152.7	34.6	102.0	53.5	254.7

Development: Total costs associated with development of tools or modifying purchased tools and software

Deployment: Total costs associated with deployment of the new processes and tools. Includes depreciation of deployment hardware and s/w licence fees.

Customer Value Chain
Capital Spending

Values in $K	FY94	FY95				
		Q1	Q2	Q3	Q4	Total
Servers						
- number	29	25	25	25		75
- $K	$1568	$1280	$1280	$1280		$3840
Laptops						
- number		1250	1250	1250	1250	5000
- $K		$3750	$3750	$3750	$3750	$15000
TOTAL ($K)	$1568	$5030	$5030	$5030	$3750	$18840

Customer Value Chain
Impact of Proposed work

Values in $M	Revenue		Expense Savings		Cash/Assets	
	FY95	Annual	FY95	Annual	FY95	Annual
Offering Management			(3) $20	$45		
Lead & Campaign Mgmnt	(1) $100	$1300	(4) $35	$40		
Digital-on-Line			(5) $25	$64		
Config/Quote/Propose	(2) $21	$35	(6) $6	$12	(8) $80	$200
Knowledge Aquifer			(7) $18	$18		
TOTAL	$121	$1335	$104	$179	$80	$200

(1) Better Management of Leads
(2) Reduction in allowances due to config and quotation errors

(3) Productivity improvements by managing offerings and reduction of part numbers
(4) Better management of demand generation activities and qualification of leads resulting in use of lower cost selling channel
(5) Productivity improvements by giving partners and customers direct electronic access and thereby using lower cost processes and reduction in cost of maintaining duplicate legacy systems
(6) Productivity improvements by reducing time taken to quote and configure systems and solutions
(7) Reduced infrastructure costs

(8) Reduction in DSO (1 day = $40M)

CUSTOMER VALUE CHAIN

ALTERNATIVE PROPOSAL

Base Case	$ 53.5 m
Laptop Reduction (5000 units --> 1000 units)	
- Impact on Depreciation	($ 1.5 m)
- Impact on S/W Licence fees	($ 3.2 m)
Digital-on-Line re-assessment	($ 0.8 m)
Config/Quote/Propose re-assessment	($ 0.5 m)
Lead $ Campaign Management re-assessment	($ 0.5 m)
Cost per person reduction	
- Offering Management (38 people)	($ 0.6 m)
- Knowledge Aquifer (53 people)	($ 0.8 m)
Subtotal	($ 7.9 m)
Alternative Case	$ 45.6 m

Customer Value Chain
Direct & Indirect Resources

	FY94	FY95				
		Q1	Q2	Q3	Q4	Av FY95
DIRECT (Ending)						
Offering Management	17.0	16.0	16.0	14.0	13.0	14.8
Lead & Campaign Mgmnt	12.4	18.4	18.4	18.4	18.4	18.4
Digital-on-Line	6.3	11.3	11.3	8.3	8.3	9.8
Config/Quote/Propose	9.3	11.3	11.3	10.3	10.3	10.8
Knowledge Aquifer	24.0	24.0	23.0	21.0	21.0	22.3
Program Office	5.0	4.0	4.0	4.0	4.0	4.0
TOTAL	74.0	85.0	84.0	76.0	75.0	80.0
INDIRECT (Equival.)						
Offering Management	14.0	23.0	23.0	23.0	23.0	23.0
Lead & Campaign Mgmnt	27.1	40.1	40.1	40.1	40.1	40.1
Digital-on-Line	31.8	39.3	45.3	41.0	38.0	40.9
Config/Quote/Propose	32.8	42.8	38.8	38.5	38.5	39.6
Knowledge Aquifer	39.5	39.5	39.5	22.5	22.5	31.0
TOTAL	145.1	184.6	186.6	165.1	162.1	174.6

Customer Value Chain
FY95 Average Indirect Resources by Organization

	IM&T	Terr	SCIE	D&L	DC	Sls/Com	Other	Total
Indirect Resources								
Offering Management		13.0	10.0					23.0
Lead & Campaign Mgmnt	23.1	12.0		3.0			2.0	40.1
Digital-on-Line	34.4	5.5					1.0	40.9
Config/Quote/Propose	25.4	10.3	3.0				1.0	39.6
Knowledge Aquifer	31.0							31.0
TOTAL	113.9	40.8	13.0	3.0	0.0	0.0	4.0	174.6

Customer Value Chain
FY95 Average Indirect Resources by Organization

	IM&T	Terr	SCIE	D&L	DC	Sls/Com	Other	Total
Indirect Resources								
Offering Management		13.0	10.0					23.0
Lead & Campaign Mgmnt	23.1	12.0		3.0			2.0	40.1
Digital-on-Line	34.4	5.5					1.0	40.9
Config/Quote/Propose	25.4	10.3	3.0				1.0	39.6
Knowledge Aquifer	31.0							31.0
TOTAL	113.9	40.8	13.0	3.0	0.0	0.0	4.0	174.6

R.GHIA / 06/28/1994
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