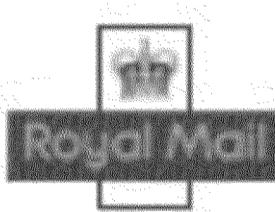


31<sup>st</sup> January 2007  
ACCOUNT PLAN

FUJITSU

# Account Review **Post Office & Royal Mail Group**

Dave Baldwin – Business Unit  
Director



# Account Plan Summary

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- Deliver programmes to time, cost and quality
  - T Release, HNG-x, SIP, Kiosk, Project LIGHT
- Superb service with demonstrable continuous improvement
  - CSIP 9 and 8.5 during 2006/7
- Grow business in line with POL business channels
  - Local, Rural, Handheld, segmentation etc
- Extend outside of traditional Horizon through SI Partnership and IT Business Partnerships
- Campaign to take a share of CSC business in Royal Mail
- Be perceived and act as innovative and proactive supporting POL and RMG strategies

# Customer's business

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- Royal Mail Group
  - 100% shareholder UK Government
  - Letters, Parcelforce, Post Office, GLS
  - UK (GLS Europe) letters and parcels logistics and mails
  - £9.1bn Revenue
  - Letters £355m Operating Profit (05/06) and expectation to reduce greater than forecast
- Post Office
  - Retail arm – Mails, Telephony, Financial, Government
  - 14,500 -> 12,000 branches UK wide
  - £900m Revenue
  - (£111m) Operating Loss -> (£400m) in 2007

# Customer's – Drivers, Issues & Outcomes

## Top 5 Business Drivers/Issues/Outcomes:

- Post Office
  - Business is unprofitable and getting worse
  - Five 2 Eleven programme – break even by 2011
  - Significant network change
- Royal Mail
  - De-regulation hitting harder than expected
  - Reliance on manual labour vs automation, not helped by Unions
  - RMG vs Government view on employee share ownership

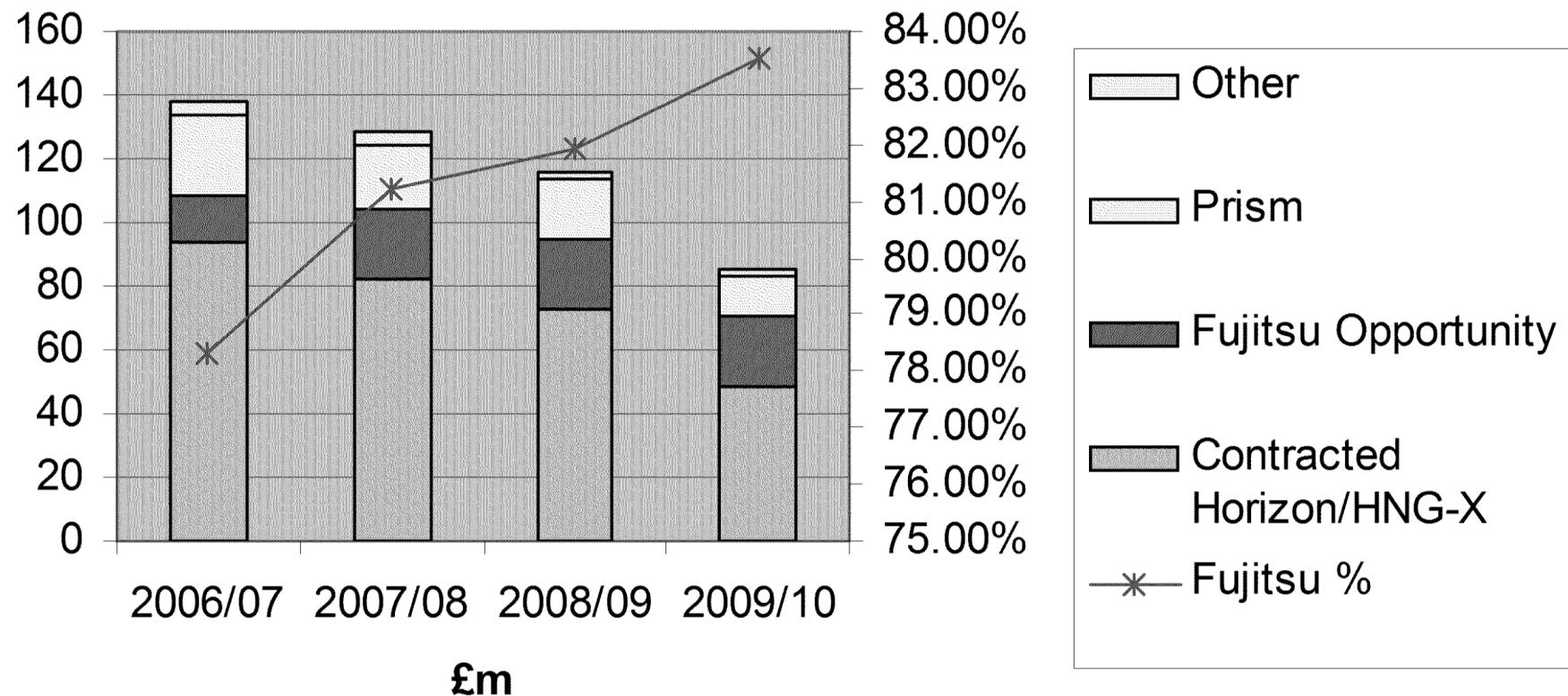
## Top 5 IT Drivers/Issues/Outcomes:

- How can IT help to drive cost out of the business
- How can IT drive innovation
- How can IT support the new strategies vs being a blocker
- How IT can help move from transactional culture to selling
- How does strategic relationship with Fujitsu drive Strive

# Post Office Spend Analysis



## Post Office IT Spend Analysis



# Analysis of Competitors

Competitor Name	Services they provide	Strengths (+) And weaknesses (-)	Actions required
CSC (Prism Alliance)	All Royal Mail IT excluding Post Office branch	+ Incumbent supplier + Reduced significant cost - Poor service quality and resources - Deliver to contract, little innovation	<ul style="list-style-type: none"> <li>• Campaign to secure some of Prism business from review in April 2008</li> <li>• Continue to grow relationships across RMG</li> <li>• Back both BT and C&amp;W in network consolidation</li> <li>• Drive wedges between Prism partners</li> </ul>
Accenture	IT Infrastructure services for BofI JV	- Incumbent supplier to Bank of Ireland	<ul style="list-style-type: none"> <li>• Ensure that BofI (POFS) are aware of Fujitsu capability</li> <li>• </li> </ul>
EDS	Card Account IT and BPO Helpdesk	+ High Quality service + Reliable - Expensive, not passing on savings from JPM	<ul style="list-style-type: none"> <li>• Engage with JPM re Card Account renewal / replacement</li> </ul>

# Customer's overview of Account

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- Customer (POL) sees Fujitsu as a strategic partner
- Highly and over referenced
- Royal Mail Group and Post Office Vendor of the Year
- CSIP average 8.75 (8.5 and 9)
- The top 3 attributes from the CSIP are:
  - *Being honest in what they say and do*
  - *Being realistic in their promises*
  - *Always delivering on their promises*
- Nervous about HNG-x development meeting pre-pilot timescales (Jan 2008 -> Mar 2008)

# Finances – KPI's (RMG Account)

## High Level Financial Summary

Actuals & Forecast YTD (£m)				
	Actuals	Forecast	Budget	Prior
Orders	32.3	32.3	195.0	16.3
Revenue	71.5	71.5	80.1	72.9
Revenue Growth %	-2%	-2%	10%	
Gross Margin	20.8	20.8	18.2	22.6
Gross Margin %	29%	29%	23%	31%

## Current 06/07 (F/Y) & forecast (£m)

	Forecast	Budget	Prior
Orders	250.0	200.0	17.3
Revenue	109.7	109.7	106.6
Revenue Growth %	3%	3%	
Gross Margin	26.6	23.8	42.1
Gross Margin %	24%	22%	39%

## Current 06/07 (F/Y) & forecast (£m)

	Q1	Q2	Q3	Q4	FULL YEAR
Orders	8.1	9.7	14.6	217.7	250.0
Revenue	21.1	23.8	26.6	38.2	109.7
Gross Margin	7.2	6.7	6.9	6.0	*
Gross Margin %	34%	28%	26%	16%	24%

\* - Q4 includes £900k of risk spend which is an opportunity

# Jan07 Forecast for 2007/08 RMG Account

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## High Level Financial Summary (FY07/08)

### JAN07 Forecast for 2007/08

	Q1	Q2	Q3	Q4	FULL YEAR
Orders	12.9	4.6	3.2	13.8	34.4
Revenue	23.0	30.2	28.7	29.5	111.4
Margin	6.1	6.7	6.5	6.2	25.5
Margin %	27%	22%	23%	21%	23%
Headcount	95	95	95	95	95

# Risks and mitigations (2007/08)

## **Development Risks**

POA resourcing problems introduces delay to Programme  
SI development effort under-estimated  
  
Planned server consolidation cannot be achieved  
  
Zensar development fails to deliver assumed savings  
  
Zensar working fails  
RV testing does not complete on time

## **£k Mitigation Actions**

Early completion of ERICS and dedicated  
75 resource manager  
100 Fortnightly review of level 3 plan  
Fortnightly review of infrastructure  
20 deployment  
Full off-shore failed but mitigating through  
427 beneficial day rates  
Full off-shore failed but mitigating through  
575 beneficial day rates  
210 Fortnightly review of level 3 plan

## **Operational Risks**

Key FS (Services) resources not available when required  
Unexpected RATEX following implementation

Complete failure of Counter component

Denial of Service to Post Office  
NWB non-availability (through network problems) causes  
SLT failures

Horizon software releases generate extra costs

Horizon CMOS battery failure in Counter PCs

Early completion of ERICS and RAR's and  
38 dedicated service delivery manager  
6

Catastrophic failure risk passed to POL  
under contract, impact assessments being  
16 undertaken  
Understand threats and available counter  
measures. Working with POL on intruder  
35 detection and PCI compliance  
Mitigated through revised LD arrangement -  
24 to be released

60 Tight control over changes affecting HNG-X  
Costs included in operational service costs -  
25 to be released

## **Commercial and Finance Risks**

Over complex contract hinders progress and diverts  
resources  
Labour indexation exceeds RPI  
Escher work to rule following HNG decision

15 To be released  
69 To be released re 2008  
35 Continuing to work well together

# Finances – Major Contracts

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Major Contract/s	TCV	GM % approved at CAR		GM %		Reason for the variance & Impact on the contract
		In Year	For life of contract	Actual/Forecast in year	For life of Contract	
HNG-X Development exc H/W	£31m	35%	33%	35%	33%	
Digital Media Network	£14.9m					
	£5.6m Hardware	3%	3%	3%	3%	Delivery delays by BT Openreach and Samsung resulting in need for replan.
	£2m Implementation	22%	22%	8%	8%	Target to mitigate additional costs
	£7.3m On-going 3 yrs	11%	11%	11%	11%	

# Status of Projects and Service Delivery

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- Highs

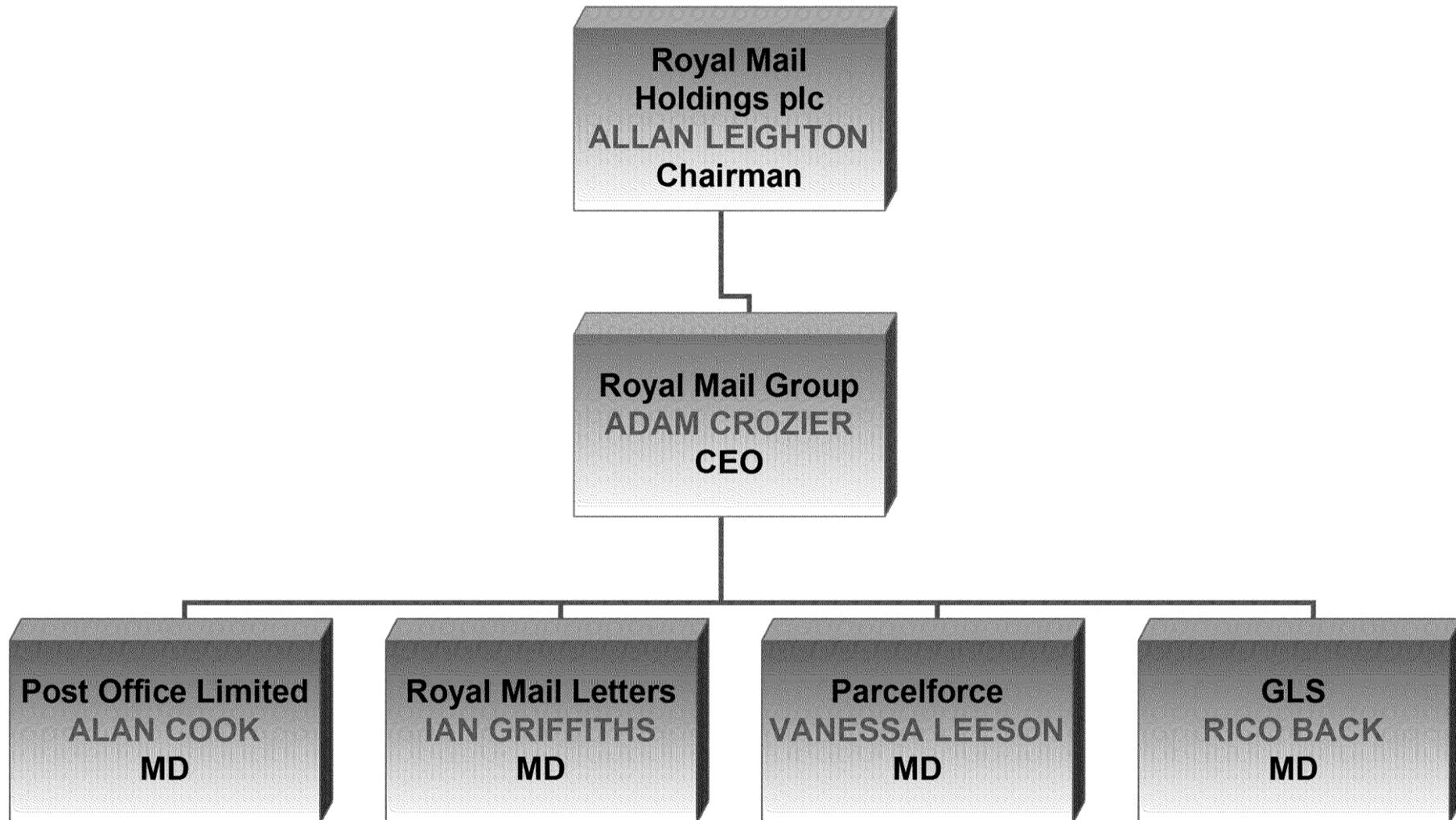
- Positive Customer Relationship with POL
  - Operations, Development and Programme
- Horizon performance stable – Business as Usual, T Releases
- HNGx architecture and high level designs progressing to plan
- HNGx programme budget stabilised to plan

- Lows

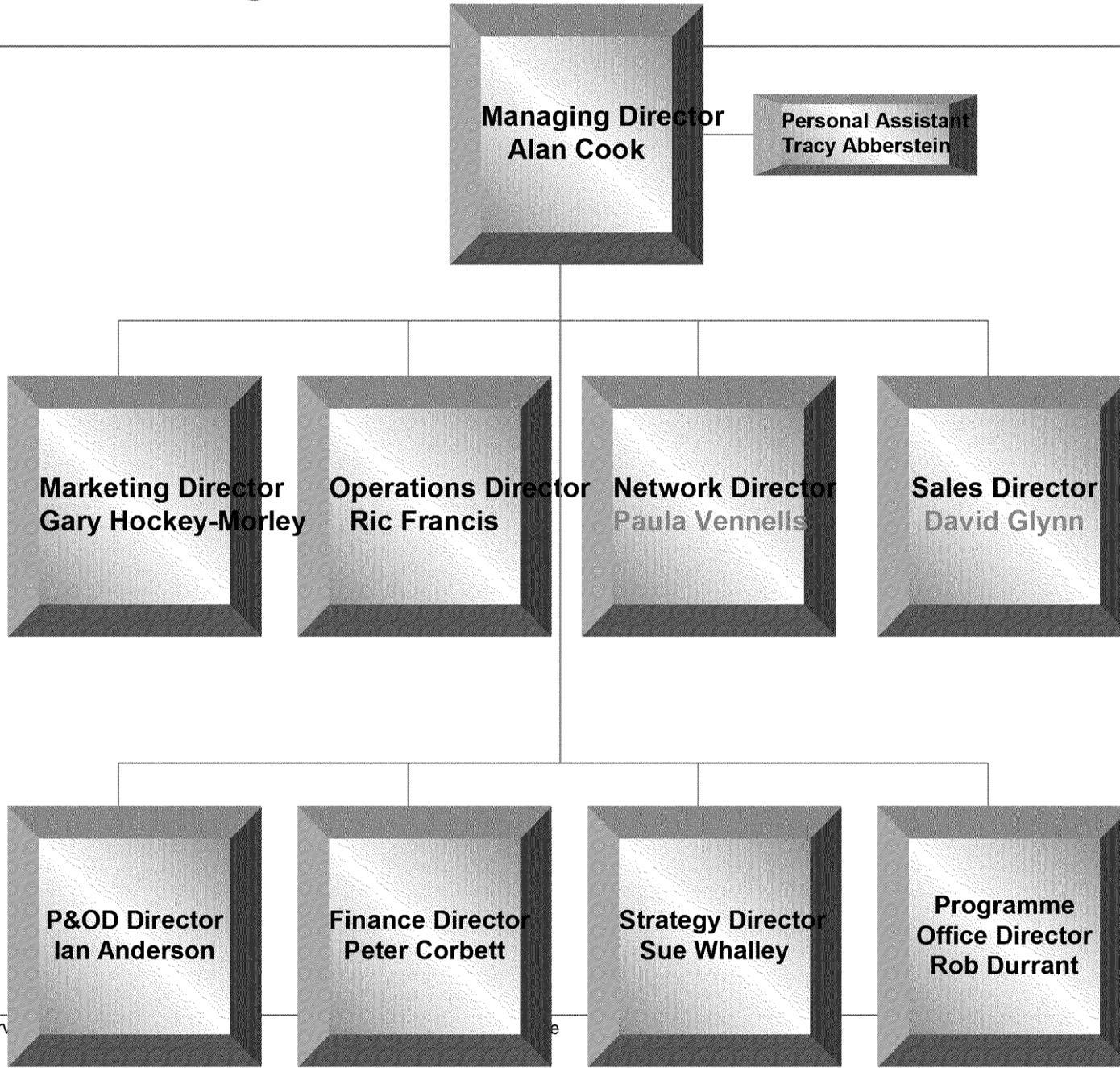
- RMG Digital Media Network project on Amber Alert
  - Revised proposal agreed and in execution
  - Lessons Learnt from pilot phase included
- POA service - Engineering SLT performance
  - SIP in place, including dependencies on customer
- HNGx Release Authorisation date and confidence

# Customer's organisation chart

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# Post Office Organisation



# Customer stakeholders

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Customer / stakeholder contact name & title	Type of Buyer	Prime FJS contact & Status of relationship	<b>Actions to build systematic executive level relationships</b>
Alan Cook CBE Managing Director – POL	Economic	Dave Baldwin	Continue with regular exec contact
Ric Francis Operations Director – POL	Economic	Dave Baldwin Liam Foley	Continue with regular contact and Japan visit Feb07
Dave Smith Head of IS and Change – POL	Technical	Dave Baldwin Liam Foley Mark Wiltshire	Continue with weekly contact
Andy Mclean Head of Operations Control – POL	User	Dave Baldwin Liam Foley Naomi Elliott	Continue with weekly contact
Sue Whalley Strategy Director - POL	User	Liam Foley Dave Baldwin	Build on the strategic briefings
Ninian Wilson Group Procurement Director - RML	Economic	Dave Baldwin Liam Foley	Continue to explore close working
Gary Hockey-Morley Marketing Director - POL	User	Liam Foley Dave Baldwin	Continue to identify new business initiatives
Gerard Banaskiewicz Head of IT Procurement - RMG	Economic	Liam Foley	Continue to explore opportunities
David Burden, Group CIO	Technical	Liam Foley	Continue to explore strategic options, especially in the individual service space
Dominic Wilson, IT director – Royal Mail Letters	Technical	Liam Foley David Hunt	Continue to identify opportunities

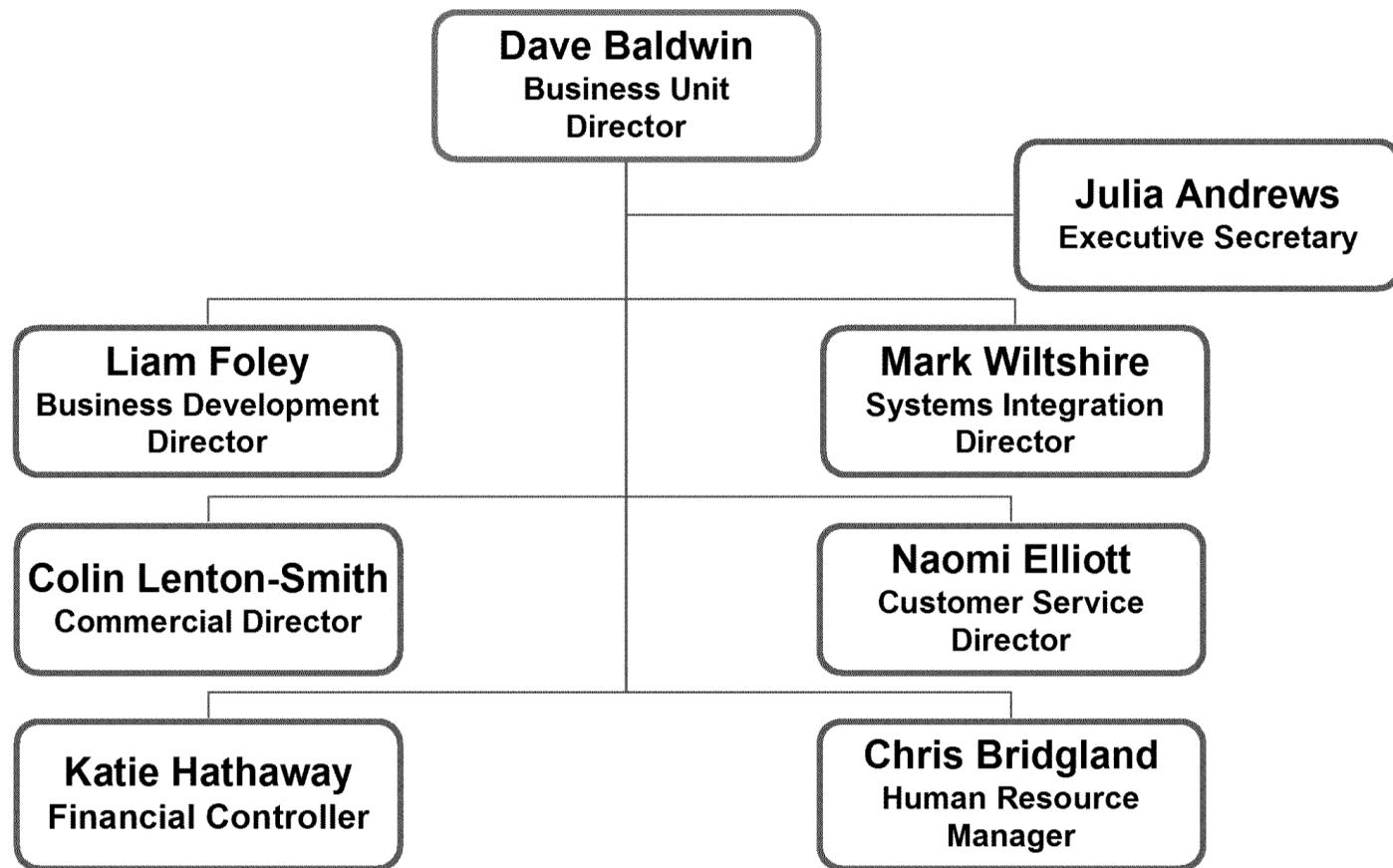
# Customer satisfaction

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<b>Date of Last CSIP Interview</b>	7/12/06	<b>Score</b>	8.5	<b>Date of Next CSIP Interview</b>	tba
<b>Key Feedback Points from last Interview</b>		<b>Actions to address/exploit feedback</b>			
Case study on relationship		In planning - copywriter engaged			
Focus on proactivity & innovation		Coaching and change programme			
Maintain high quality service delivery		Deliver continuous service improvement plan			
Engage more people into POL Exec		Engage more people into POL Exec from Account Team			
<b>Average Scorecard over last 6 months</b>	8.2	<b>Average SLA Performance over last 6 months</b>	91.1%		
<b>Present Service Delivery Issues</b>		<b>Actions to address</b>			
HNG-x time to RAB		Fortnightly review and pressure on L3 plan			
Engineering performance		Deliver action plan by end Feb 07			

# Post Office Account – HQ Management

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# Summary of opportunities to add business value

KEY AREA where we can add Business Value to the Customer (+ what we would provide)	What would be the value to the Customer in their terms	TCV for Fujitsu (+ start date / duration)
Identify appropriate cost effective solutions for Post Office Local	A reduction in operating costs and increased flexibility that enables solutions outside the physical post office	£1 million June 2007 – length of contract
Self Service through the implementation of a first class solution	Queue reduction/faster service/happier customers	£4.7 million September 2007 – length of contract
SIP – Systems Integration Partnership where we will provide excellent strategic level resource to help achieve POL business objectives	Better ROI in IT	£1 million per annum direct £? Millions indirect
Data management and Management Information	Accurate up to date MI and a single data repository across the organisation	£0.65M for data management £1.5M for MI
Call centre rationalisation	A reduction in call centre costs and a simplified view of the customer	Unknown at this stage
Potential take over elements of the Prism contract	Better ROI on IT costs. More proactivity for new developments Better relationship with service provider.	
18 © Fujitsu Services 2006 31/1/07	Account Review Template	Template 2006 v4
AR	FUJITSU	

# Key dependencies & Issues

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- Business Consultancy from BTG that can work with POL in the strategic development
  - (Mark Dorgan and Philip Warley engaged at board level in POL)
- Sufficient high quality resource to fill the SIP (up to 30 heads)
- Technical capability in the technical devices space, especially in low cost payment terminals
- Network consultancy to enable Fujitsu to advise POL on the most effective approach to achieving VfM across their points of service
- Possible high quality bid team for Prism contract
  - Services architect, Transition Expert, TUPE, Programme Manager

# Actions

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Action No:	Action:	Actionee:	Due Date:
1.	<p>Look to build relationship with Alan Cook with sponsorship/support from Ric Francis. Take opportunity to celebrate contract signature (June 2006)</p> <p><b>Complete - A relationship has been built with Alan Cook with meetings hosted with David Courtley, Richard Christou and Akikusa-san. Contract due to be signed on 31/8/06 and will be low key celebrations at Post Office request.</b></p>	DB/LF <b>CLOSED</b>	ASAP
2.	<p>Good news story around overall service availability to be publicised once the HNG-X contract is signed.</p> <p><b>Complete - We will publicise internally in a low key manner due to Post Office request that no external publicity be made for at least 3 months after contract signature. Reasons are valid and can be disclosed separately.</b></p>	DB <b>CLOSED</b>	Contract signature
3.	<p>Branch Network Resilience – there is risk around movement from C&amp;W. Discuss with Ray Clarke.</p> <p><b>Complete - Risks discussed and corrective actions eventually put in place. Service take on successful.</b></p>	DB <b>CLOSED</b>	As appropriate

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