

Dargie Tomoko

From: Business Assurance
Sent: Thursday, April 11, 2002 12:07 PM
To: Business Assurance; Colley Justine; Lush Paul; Nagai Atsushi; Payne Sue; Coombs Martin; Stanley Kate; Foley Liam; Muchow Stephen; Jarman Andrew; Lenton-Smith Colin; Underhill Clive; Hosford Ann; Henfrey Neil
Cc: Neal Carys; Frost Gina; Imanishi Hodaka
Subject: RE: Post Office Group BNB Review

Please disregard the presentation slides sent through earlier on and replace them with the enclosed.

Regards
Business Assurance



Business Opp Review
11Apr02.pp...

-----Original Message-----

From: Business Assurance
Sent: 10 April 2002 17:27
To: Colley Justine; Lush Paul; Nagai Atsushi; Payne Sue; Coombs Martin; Stanley Kate; Foley Liam; Muchow Stephen; Jarman Andrew; Lenton-Smith Colin; Underhill Clive; Hosford Ann; Henfrey Neil
Cc: Neal Carys; Frost Gina; Imanishi Hodaka
Subject: Post Office Group BNB Review

<< File: Business Opp Review 10Apr02.ppt >>

Please find enclosed the documentation for the Post Office Group BNB due to take place at 16:30 on 11/04/02.

Regards
Business Assurance



Bid/No Bid Review

- Working Together
- Siebel Reference LLFO019

Objectives of Review

- Qualify the opportunity.
- Decision to bid.
- Approve bid budget.
- Agree the sales strategy
- Set critical success factors for the opportunity.
- Ensure that the resource is available for bidding.

Background

- Post Office Ltd was established as a part of Consignia plc in October 2001
 - 17 500 Post Offices, 38K counters - the UK's largest retail network
 - The Horizon project, historically run by ICL Pathway, brought automation to every UK Post Office in the largest non military IT project ever undertaken in Europe
 - Post Office Ltd are currently suffering severe commercial losses as a result of declining revenue streams (e.g. benefit payments)
 - Dual role - Post Office as a community service (particularly in rural areas), Post Office as a commercially driven organisation

- The Opportunity
 - The current Horizon contract worth approximately £1bn, due to expire in 2005
 - Post Office want to reduce IT costs now - prime opportunity to renegotiate the current contract into something more attractive, which could include:
 - Substantially increase current term beyond 2005
 - Increase scope, potentially to include outsourcing of back office systems
 - Renegotiate contract terms to simplify contract and service management
 - Develop Strategic Partner role with Post Office - new era for Fujitsu Services

Customer Requirements

- The biggest business driver in Post Office at present is to reduce cost, in particular IT costs which are currently running at £200M p.a., 16% of revenue
- A more open approach to architecture - to increase flexibility of solution and reduce time to market for new products
- Ability to introduce 3rd party products more easily
- Strategic collaboration with Escher - leading software supplier in the Post Office market
- Move to collaborative working - Fujitsu Services and Post Office Ltd working more effectively together

Value Proposition

➤ Fujitsu Services will do :

- Reduce annual Horizon cost to Post Office by £30m (approx. 20%) in 2002/2003, ways this could be achieved include:
 - Restructuring finance by extending contract over a longer term
 - Implementing more effective ways of working which reduce overheads
 - Implementing new SLAs that cost less
 - Less burdensome terms and conditions
 - Redesigning architecture to reduce operational cost (medium term)

- Fujitsu Services must implement a new contract with the customer with broader scope of services, for example
 - Ongoing operation and maintenance of the Horizon solution
 - Incorporate Post Office Back Office System outsourcing
 - Development of Banking business
 - Possible technology refresh
 - Joint architecture/programme management

- The value of the base contract is likely to be in the region of £600m over 6-7 years

- This negotiation to conclude Heads of Agreement is due to be completed in June 2002

- There is a need to reach understanding via Heads of Agreement before Consignia scopes a group-wide outsourcing-ITT, at the end of June 2002 (which could absorb Horizon)

Sales Strategy

- ICL Pathway has become Fujitsu Services - new style of relationship with more open, collaborative working
- Steering Group and working level programme
- New faces - from Post Office and Fujitsu Services
- Agreed programme of joint activities “Working Together”:
 - Architecture
 - Services
 - Relationship
 - Commercial
 - Finance
 - Outsourcing
 - Project and Programme Management
- Positive examples of the new style of relationship - for example Mails project

Competition

Competitor	Strengths	Weaknesses
IBM	Post Office see them as a reliable and capable supplier; experienced in outsourcing contracts	Have just lost Network Banking bid to ICL
EDS	Systems consulting – largest US player; major IT supplier to UK government	Recently announced contract win – provision of Universal Banking services
Parity	Strong relationship with Post Office – won highest Consignia strategic supplier award in 2001	Positioned as consultants, limited delivery experience in Post office

Differentiators

- Fujitsu Services already have proven capability - current Horizon contract
- Current Horizon contract not due to expire until 2005
- Fujitsu Services develop and support the current infrastructure - uniquely placed to develop new services
- Fujitsu Services acknowledged as strategic supplier (Consignia annual supplier awards) 2002
- Strength of the global Fujitsu brand - R&D capability
- Potential exclusive Teaming Agreement with Escher for UK Post Office

Key Decision Makers

Name	Buyer Role	Fujitsu Services Contact
John Roberts, CEO		Richard Christou/David Courtley
David Mills, Group MD, Post Office Ltd	Key decision maker	David Courtley
Alan Barrie, Post Office Ltd Executive Director	Key Decision Maker	Paul Lush, Liam Foley, Stephen Muchow
Peter Corbett, Post Office Ltd Finance Director	Financial Control	Liam Foley and Colin Lenton-Smith
Basil Larkins, Strategic Alliances Director	Key user	Liam Foley
Gordon Steele, Customer Services Director	Key User	Liam Foley
David Miller, Operations Director	Key User	Stephen Muchow, Liam Foley
Mike Wells, Post Office Ltd IS Director	Key Decision Maker	Liam Foley/Clive Underhill

Procurement Process and Timetable

Milestone	Owner	Date
Heads of Agreement	Joint	June 2002
Contract	Joint	Sept 2002

Proposed Solution (1/2)

- Solution will address :
 - Managed Service to operate, support and maintain counter network
 - Application support and enhancement
 - Joint programme and architectural change management
 - Incremental development projects
 - Technical Refresh option
 - Transition from current contract
 - IPR ownership
 - Scope extended to cover Back Office systems

- Anticipated areas of risk
 - Fujitsu (Pathway) & Post Office cultural change needed for success will not happen
 - Openness will be used to introduce competition for every development opportunity
 - Cost savings not realistic
 - Getting to “open architecture” cannot be priced

Proposed Solution (2/2)

- Internal and external supplier details (reference Alliances Programme as appropriate)
 - Contract, project management and design authority: LPD
 - Operational Services for base contract - Fujitsu Services Core Services
 - Application Management (Back Office) - Fujitsu Services Core Services
 - Data Network - Energis
 - Middleware, GUI & applications - Escher

Financial Proposal (early view)

- Total Contract Value £560M over 7 years
- Costs £420M
- Margin 25%
- Profit £140M
- Cash flow (consider Flexible Finance)
 - Positive for managed service and new development projects
 - Impact of architecture change and contract transition is TBA

- Current Contract Value Forecast £419.3M (2002-2005)
- Margin Forecast £72.7M (2002- 2005)

Bid Plan/Costs

- 6 “Strands” agreed for joint working:
 - Architecture
 - Services
 - Relationship
 - Commercial
 - Finance
 - Outsourcing
- Detailed plans are being developed in each Strand
- Aim is to reach Heads of Agreement in June for a replacement contract agreed by end-September
- Budget £350K

Bid Team (1/2)

Key Role	Name
Business Owner	Stephen Muchow
Client Manager	Liam Foley
Bid Manager	Clive Underhill
Relationship Manager	Ann Hosford
Technical Design Authority	Graham Brown
Finance	Bryony Carter/Kevin Balloch
Commercial	Colin Lenton-Smith
Legal	Chris Jay
Risk	Simon Robertson

Bid Team (2/2)

- The following additional bid resource requirements have been identified :
 - Service Consultant or Service Development Manager
 - Identify and specify managed services and SLAs
 - Liaison with Service Managers
 - Produce service transition plans
 - Programme Office Manager
 - Develop organisational model for new joint Programme Office. (Fujitsu Services/Post Office/Escher)
 - Specify processes for joint architecture and programme management
 - Identify dependencies on Post Office and Escher
 - Development Manager
 - Develop plans and costs for architectural change
 - AM Consultant or AM Business Manager
 - Specify the AM service for Back Office systems
 - Identify 3rd party management requirements
 - Develop transition plans for take-on

CSLC Status

➤ Scores – by Sales Stage

- Stage 1 Plan Score Unanswered
Gateways
Requirements
Risk

Explanation

- Customer Requirements are not yet sufficiently detailed
- Risk analysis yet to be carried out

Approval Checklist

- Confirm approvals/authorities obtained
 - List areas where approval is required and has been obtained against Commercial Policy for Authorisation of New Business;and
 - CSLC approval authorities : Sales, Business Division, Operations, Project Management/Service Delivery, Finance, Commercial, Technical (as appropriate)