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## Siebel Systems: Anatomy of a Sale, Part 2

### Quick & Reilly's View of the Transaction

By the time she met Gregg Carman, Cathy Ridley had been with Quick & Reilly for 13 years. She had worked there part-time during college vacations and had joined the firm's New York sales office upon graduation. Soon she became assistant to the director of marketing. Quick & Reilly at that time was a technologically unsophisticated company with no information technology department. It linked its sales office to its back office via a communications system outsourced to a leading vendor at that time, ADP. Ridley's boss was frustrated by the inability of the sales force to track leads, such as the customer phone calls generated by the firm's \$2 million advertising budget. In 1989 he installed a primitive DOS-based personal computer system in the branches to capture telephone inquiries, trigger the outbound mailing of account solicitation kits, and track results. It was known in the firm as the marketing database and fulfillment system (MDFS).

By 1996 the system was still in use. By then Quick & Reilly had established an IT department that had slightly improved the MDFS lead management system, but the Quick family was increasingly unhappy with the system's performance. The family tracked new customer account openings carefully and was disturbed that the 12-month trend was down. It tasked Ridley with finding a better way to monitor customer acquisition. She gave her side of the story:

At that time I was reporting to the director of operations, Bob Burt, and my title was VP of client services. We all knew the MDFS system had outlived its usefulness. Across our 100 offices, sales reps were dropping the ball on hundreds of potential account openings every day. Although the system was good, the reps began to bypass the MDFS because the new graphical user interface had slowed down the refresh rate of various screens. Reps would take a call from a prospect, and rather than wait for the system to work and risk losing the prospect due to the delay, they would scribble the address on a scrap of paper and pass it to a clerical assistant to send out a brochure. They were not registering the lead, so we could not follow up or measure whether the brochure was converting the prospect.

My first step, in 1996, was to go to some sales force automation trade shows. Nothing appealed to me as being applicable to our firm. When I spoke to vendors they were excited to see me, but they did not have what I wanted. I don't think that they took me seriously—a 28-year-old kid. They'd say, "Is it OK if it's in the seven figures?" And then, when they had demo'd the product and I'd shown where it did not fit, they would say, "You may need to hire an integrator."

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Professors John Deighton and Das Narayandas prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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So that's what I did. I went to the Securities Industry Resource Guide and looked at ads. I found Bradley Systems of Cleveland, Ohio, who said they built sales force automation systems for financial services firms. I called, and when I told them I needed a lead tracking and fulfillment system for 100 offices, 500 brokers, 1 million customers, they put me through to the president, John Zitzner.

*Put yourself in Zitzner's position as he picks up the phone. How should he handle the conversation? What is his objective in this call?*

Zitzner asked me, "Do you have an RFP [request for proposals] or business requirements document? I said no, and he said, "You need to survey your reps to find out what they want and survey corporate to find out what they want." So we hired him for \$15,000 to build the business requirements document. It took two weeks and ran to 12 pages. This document got us buy-in from corporate to go forward and hire Bradley for a further three months to write a full-scale request for proposals.

Just as the RFP came in, in February 1997, FleetBoston acquired us. So the whole thing sat on a shelf for a year while we waited to see the ramifications of the FleetBoston deal.

Then, at the beginning of 1998, IT told us that the DOS-based MDFS system would crash in year 2000 with the Y2K issue. The number-two man in our IT division, Alan Lowenstein, wanted to build us a system in-house. Bradley wanted to build it for us. But I thought we should also consider shopping for an off-the-shelf system. It was time for the Javits Convention Center trade show again, so the VP of marketing and I took ourselves off there, two years after my first visit.

The trade show showed us that the industry had come a long way in two years. I went from booth to booth, watching the demos, trying not to talk to anyone, and we were impressed with what we saw. Particularly, Aurum, Saratoga, and Siebel Systems.

That's when we ran into Gregg Carman. He saw us watching the Siebel Systems demo and talking to each other, and he came over and asked if he could interest us in his product. He may even have been looking out for us, because he had a relationship with FleetBoston. He was very charming, had a soft, open personality, the sort of guy you'd meet at a bar and talk to. He showed us the vanilla product, talked about how they could customize for us, or link us with one of their partners. He impressed me with the size of the investment that Siebel Systems made in product development, building and rebuilding their software. I knew Charles Schwab was on Siebel Systems' board, and Schwab is our closest competitor.

**Exhibit 1** Quick & Reilly Operating Results (\$ millions)

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	2001	2000	1999	1997
Total Revenue	607	1,007	698	379
Net Income	(51)	127	107	82

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Source: Fleet annual reports 1999 to 2001, Quick & Reilly analyst report by Lehman Brothers, May 22, 1997.

Note: Quick & Reilly was independent in 1997 and reported as a division of Fleet Bank from 1999 to 2001.

**Exhibit 2** Assets, Total Employees, and Retail Broker Employees of Major Brokerage Firms, 1997

Name	Total Assets (\$ millions)	Total Number of Employees	Number of Retail Broker Employees
Edward Jones	1,366	9,000	34,854
Merrill Lynch & Co.	207,911	41,300	12,900
Credit Suisse First Boston Corp.	307,280	4,300	NA
Morgan Stanley Group	196,296	7,811	NA
Salomon Inc.	194,881	6,600	NA
Smith Barney	48,879	25,591	10,436
Dean Witter Reynolds	16,039	17,665	9,093
Prudential Securities	19,452	17,052	6,400
J.P. Morgan Securities	62,500	2,028	NA
UBS Securities	48,518	1,195	NA
SBC Warburg	46,831	NA	NA
PaineWebber	52,514	15,549	6,095
A.G. Edwards	3,711	11,900	6,019
Chase Securities	26,325	1,382	3,973
Charles Schwab & Co.	13,779	9,800	3,700
Fidelity Brokerage Service	NA	4,607	3,649
D.E. Shaw & Co.	11,533	NA	NA
Deutsche Morgan Grenfell	33,872	1,132	NA
Daiwa Securities America	32,500	NA	NA
Greenwich Capital Holdings	32,418	NA	NA
Raymond James & Associates	2,854	3,013	2,500
CIBS Wood Gundy Securities	14,311	NA	NA
NationsBanc Capital Markets	13,712	NA	NA
Piper Jaffray	NA	2,575	1,252
Nomura Holding America	41,451	NA	NA
Paribas Corp.	16,331	NA	NA
Everen Securities	NA	3,200	1,220
Interra Financial	NA	3,474	1,157
Wheat, First Securities	NA	2,485	1,038
Legg Mason	1,867	3,360	970
Spear, Leeds & Kellogg	9,931	2,160	NA
Gruntal & Co.	NA	2,007	854
J.C. Bradford & Co	NA	2,063	800
Oppenheimer & Co.	3,194	2,914	778
Cowen & Co.	NA	1,547	706
Janney Montgomery Scott	NA	1,343	688
Advest	NA	1,473	586
Robert W. Baird & Co.	NA	1,505	535
Morgan Keegan & Co.	NA	1,528	529
Bear, Stearns & Co.	105,396	7,346	511
Principal Financial Securities	NA	1,002	488
Brown Brothers Harriman & Co.	NA	1,890	474
Alex. Brown & Sons	2,543	2,618	454
Tucker Anthony	NA	1,017	450
National Financial Services Corp.	7,822	1,182	437
<b>Quick &amp; Reilly Group</b>	<b>3,732</b>	<b>1,122</b>	<b>433</b>
Interstate/Johnson Lane Corp.	NA	1,236	430
J.J.B. Hilliard, W.L. Lyons	NA	1,039	413
McDonald & Co. Securities	NA	1,246	316
Donaldson, Lufkin & Jenrette	55,504	5,500	300
Goldman, Sachs & Co.	152,046	5,864	238
Lehman Brothers	128,596	5,348	171

Source: Adapted from *Institutional Investor*, annual report on brokerage industry, April 1998.