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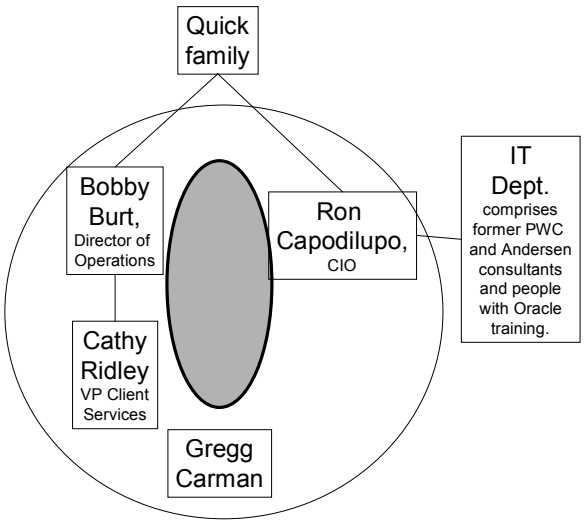
Siebel Systems: Anatomy of a Sale, Part 3

Part 3.1

Gregg Carman recalled how the meeting with Cathy Ridley had ended: "I said, 'We should show this to a larger group of people. Who are the people who need to see it?' There had to be a line executive to whom Cathy reported. It was time to meet this person."

A meeting at Quick & Reilly offices in New York followed. Carman recalled:

> I walked into the meeting room and saw three people. Cathy introduced me to Bobby Burt and Ron Capodilupo. I soon got the sense that Bobby and Ron were representing the Quick family, none of whom was in the room, and that Ron had a team reporting to him with a background in systems integration and with a strong bias to Oracle. All eyes were on the technology. But I needed to know, who's my executive manager?



How should Carman establish the roles of Burt and Capodilupo in the transaction? How should he decide who plays the more important role?

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.

Siebel Systems: Anatomy of a Sale

Part 3.2

Ridley described what had happened after the trade show and before Carman's visit:

When we got back to our offices, we told the executives that we were most impressed with Siebel Systems. They were the leaders in sales force automation [SFA]. Aurum and Saratoga also looked good, but they were second-tier suppliers. And Bradley's not the one to do it. They could make too many mistakes building it from scratch. Siebel Systems had the experience. They're the leaders in SFA. They are the visionaries.

At that point IT pricked up its ears and wanted in on the conversation. They said, what about Oracle? Our system used Oracle tables. So Oracle came in for some demonstrations. All they had was a shell, and they admitted it. They said that they did not have everything we needed, but they offered to build their shell out just for us and eat the development cost. Some of our IT group liked that idea a lot. Some of them came from Oracle. Our CIO, Ron Capodilupo, had a client-side background as a CIO for Alliance Capital before joining us and he saw my point about Siebel Systems, but he had to support his team, too.

At this point the account is Oracle's to lose. It particularly does not want to lose to Siebel Systems. How should Oracle act?

Siebel Systems: Anatomy of a Sale

Part 3.3

Ridley continued:

I was not impressed in the least with Oracle. They could make way too many mistakes building out their shell, just as Bradley could make mistakes building from scratch. So I said to IT, "Look, it's going to be a lot more work for you if you buy Oracle. Their product is just a shell." That was when IT shifted their support from Oracle. They discovered that Siebel Systems could work with Oracle tables and began to support Siebel Systems as long as we brought in an integrator. That was a popular idea with some of our IT group who had come over from the integrators.

I know that we did the right thing. We were not buying a piece of software—we were getting an organization. For example, I was at the last Siebel User Summit. It was a spectacular event, with Steve Ballmer of Microsoft speaking and Bonnie Raitt and Santana performing on stage. I came away sure we'd chosen well. We were buying into the growth of Siebel Systems itself. We'd be getting Tom Siebel and his vision on our team. This guy's an entrepreneur with his eye on where things will be five years from now. We had a relationship with a company that would always be working on something new for us.

Closing the Deal

In August 1998 the scope of the deal was envisaged to be $2.1 million, involving 800 seats for Siebel Systems' lead management software. (The product was priced per "seat," meaning that 800 named users would be authorized to use the product.)

Carman picked up the story:

We expected to close the deal in time to include it in our September 30, 1998, numbers. It was a big thing at that stage in our growth to make our quarterly numbers and show Wall Street that we were the leading contenders in SFA software.

To move things forward, I asked, "Do you plan to use a systems integrator or deploy this yourself?" They said if they were to go forward they would like to do it with PWC and asked whether we were comfortable with that. We were very comfortable. Ron and others in Quick & Reilly's IT group had a history with PricewaterhouseCoopers and a relationship with the PWC partner, Bernie Plagman, who was already helping with staff augmentation. Also, PWC was four months into their relationship as a preferred partner with Siebel Systems and really hungry to help us close this deal. We recommended that they engage PWC, and so by August PWC was working under a letter of intent to prepare for the deployment.

But we still did not have a deal. Each week the Quick & Reilly management committee met, but three meetings went by and nothing happened. I'd ask Cathy or Ron, "Can I book the deal?" Each time the message would come back, "It's taken care of." But, suddenly, the end of the quarter was on us, and the deal was not booked. I had missed my numbers, and that did not sit well with my regional manager.

Where did Carman go wrong? How did he come to miss his numbers?

Siebel Systems: Anatomy of a Sale

Part 3.4

Carman explained the problem:

It took us until the end of September to realize that we had mistakenly assumed that Burt and Capodilupo together were the executive buyer, the party that cuts the check. But it was Tom Quick. He was holding up the deal because FleetBoston had told him there's paperwork you need to do on a deal of this size. If we had drilled down and asked who chairs the weekly management meetings, we would have found that Tom Quick was in the chair, and he was concerned not to rock the boat with FleetBoston so soon after the acquisition. For the rest of Quick & Reilly, used to being its own shop, this was unexpected. But Quick was not prepared to jeopardize the new relationship with FleetBoston for the sake of six weeks of paperwork.

I knew the paperwork requirements of FleetBoston for capital expenditures: documenting the business case, IRR [internal rate of return], total cost of ownership, three-year expenditure forecast. If I had known that paperwork was the holdup, I could have helped. I would have pressed to introduce them to some key people at FleetBoston and get the job done a little faster.

A Turn for the Worse

Carman continued:

I moved the Quick & Reilly deal into the December quarter, with only paperwork between me and closure. I'll never forget what happened next. I was in my car on November 1, turning off Storrow Drive into Back Bay, when my phone rang. It was Marge Paine, the person responsible for the Siebel Systems/Scopus installation across FleetBoston's entire consumer banking branch network. Scopus was a call center management product that Siebel Systems had acquired in 1998. The original plan had been to integrate it into the lead management product that I had sold to Quick & Reilly, but that had not happened yet.

Marge had just heard of our deal with Quick and was not happy. She had bought more Scopus seats than she had been able to deploy and was looking at the Quick & Reilly merger as a way to offload them. "We are not buying any more capacity from Siebel Systems," she told me.

I didn't think Scopus was right for Quick & Reilly's application, but there was no doubt it could be deployed, and it would save Quick & Reilly a lot of money.

I pulled the car over. I had $30 million of cross-selling at stake with FleetBoston over the next couple of years, and $2.1 million promised for the December quarter. I needed a plan.

How can Carman save the Quick & Reilly transaction without injuring the FleetBoston relationship?

Siebel Systems: Anatomy of a Sale

Part 3.5

Carman said:

I called Ron [Capodilupo] to inform him of the call. I felt it was my duty to keep him updated on all developments so that he would not be caught off guard as he tried to get the approvals from his management. At this point, he had as much ownership of the process as I did and would be as keen as I was to make sure that nothing scuttled the boat.

Ron assured me he wanted the Siebel Systems product, not the old Scopus product. The next call I placed was to my regional manager. I needed to know if the customer could legally transfer the product from FleetBoston to Quick & Reilly. I quickly found out that it was not possible. Although Siebel Systems had agreed to support all Scopus products for a few years after the acquisition, the legal department informed me that there was no commitment made by the firm to buy back or transfer the old Scopus products.

With this information in hand, I now had to decide how I would manage the transaction. I reflected on how Tom Siebel would expect this situation to be handled. Siebel Systems has always prided itself on its total focus on customer satisfaction. But how far should I go in managing the FleetBoston situation? Should I do anything at all? Should I evoke the Siebel Systems' executive support process by which a senior executive would get involved to help get the deal back on track? Although the company's executives strongly support being called upon to help, how would this look?

What is your advice to Carman? Could he have anticipated the call from the FleetBoston manager? At this stage, how important is the FleetBoston relationship to him? What do you think of Siebel Systems' approach to customer satisfaction? Is it a realistic one? Is it possible that customers can take advantage of Siebel Systems because of its commitment to their satisfaction?

Siebel Systems: Anatomy of a Sale

Part 3.6

Carman worked with his manager on how to explore options in managing the account going forward. He recalled: "We discussed whether we should offer Ron a token discount. Ron was not asking for an adjustment on price, but I thought it might show that we cared and that we were not a bunch of mercenaries just interested in getting more sales."

And then there was the question of the FleetBoston manager. Carman said:

> There were quite a few unused licenses, and it would take me over a year to create demand within other parts of FleetBoston. I guessed I would have to forego over a million dollars in sales of new Siebel Systems products in the process. Tom Siebel preaches that customer satisfaction is our ultimate goal, and I have "drunk the Kool-Aid." Whatever I do, people in FleetBoston need to know that Siebel Systems will always keep their interests in mind. Customer trust is hard to buy. It has to be built, and believe me, it takes a long time to build.