IBM WHITE GLOVE EVENTS

Moderator: Tim O'Brien
August 3, 2010
10:00 a.m. CT

Operator: Good day, and welcome to today's Web conference. During today's event, all participant lines had been muted to prevent background noise. If you require technical support at any time, please press star then zero on your touchtone phone and someone will assist you. You may also send a chat message to the event host. This event is being recorded.

Today's presentation includes a live demonstration. Please make sure all other applications are closed, clear your cache on your browser. And if you see a blank or a black screen, please use the refresh button. If you are having difficulties seeing the entire application share, click on the scale view button. Both buttons are located at the top of your screen while the presenter is application-sharing. You will need to exit out of full screen view to see these options. If you're still experiencing difficulties, you can send a chat message to the event host or press star zero for technical support.

Again, today's session is being recorded. We will pause for a moment to initialize the recording. Please stand by.

We would like to welcome everyone to today's Web event titled Performance Blueprints and Action Webcast, Sales Planning and Forecasting. This time, it is my pleasure to turn the floor over to Mr. Tim O'Brien.

Mr. O'Brien, you have the floor.

Tim O'Brien: Thank you. And welcome, everyone, to this installment of the IBM Cognos Performance Blueprints in Action Webcast series. Today, we're featuring the

blueprint sales planning and forecasting. Michael Wilcox and Kathy McPhee, senior advisory software engineers with IBM Business Analytics, will be demonstrating this blueprint. And you're getting an early look at this blueprint. It is yet to be released, but we wanted to give you all an early look so you could get a sense of what's to be delivered, and perhaps once it is released, use it within your organization.

So this webcast series is being brought to you by the IBM Cognos Innovation Center. And just to tell you briefly about us, we are a membership-based global community consisting of IBM Business Analytic customers, so (inaudible) it is open to all customers to become members. And we consist of over 6,500 members currently around the globe. Some of the names you can see right there are members of the innovation center.

We also have a community of third-party subject matter experts across all of the different practice areas within what we call business analytics, and I'll explain that real briefly. And all of this work that we do with our global customer community, with our global advisory council produces a number of different assets for our membership to leverage. And certainly, the IBM Cognos Performance Blueprints are some of those assets.

We also deliver live workshops around the globe, around different practice areas represented within business analytics; the webcast series like this one and many others we deliver. We've also got an online community. We've got a ton of thought leadership available authored by many, many subject matter experts within the disciplines of business analytics.

And we also run what we call a customer advisory board. This is the chance to have access to product development and product management, hear the roadmap, product roadmap, and perhaps influence the direction of our product based on what some of your needs are, and it's a great way to get access to these developers.

And all of the assets the innovation center delivers, which include customer success stories, there's a ton of on-demand webcasts that we make available. We've got the online community; I mentioned, the LinkedIn group, the

Twitter account. You can access this all through what we call the IBM Cognos Innovation Center Widget. And it's available at ibm.com/cognos/innovation-center, and I'll show you that URL at the very end of my presentation here.

So just jumping ahead to business analytics software, I mentioned business analytics. And essentially, it's got four major components; just real briefly, business intelligence, advanced analytics, financial performance and strategy management, and analytics application.

So you hear this notion of business analytics thrown around, well, what does that really mean? And, essentially, all it means in kind of a simplistic way is that when you're looking to make a decision as you run your piece of the business, whether you're a sales manager in the Pacific Northwest, you're a marketing manager in charge of a global demand or you're a director of finance, you're kind of asking three simple questions.

You're measuring and monitoring your business or what's important to you through typically key performance indicators through a scorecard or a dashboard report, real-time monitoring. And you're just asking questions; what's happening, how are we doing today? And then once you've understood that, you want to know why? Are we on target? Are we off-target? Well, why is that the case? And you're doing that through ad hoc queries, trend and statistical analysis, and content analytics.

And then, lastly, you want to know what's likely to happen through scenario planning, predictive modeling, what-if analysis planning, and budgeting. And that's essentially the three-step, three-question process, if you will, that you go through to really answer or – excuse me – before you're going to make that decision on future direction of the company and how to allocate resources. So that, in a nutshell, is business analytics.

Today's webcast is around performance blueprint. And this whole series is around performance blueprints. And these are essentially predefined data process and policy models developed by the Cognos Innovation Center in conjunction with our leading customers.

And when I say they're pre-filled data process and policy models, essentially what they are is business practices like headcount compensation planning, like initiative planning, like capital project planning, if you're thinking along functional lines. So if you're thinking along industry lines, it could be something in the retail sector, something like store operations planning.

And they take these business practices and encapsulate them in a solution, the data model. And these are enabled best practices, they include driver-based planning, the account for high participation and high-frequency planning. They are rapidly implemented as a result so they reduce project implementation time and risks. They're a great head start for implementation and they're certainly going to improve your project's success rate.

And, you know, just as importantly, they ensure a nice consistent set of corporate guidelines as you deploy these model across your enterprise. And just speaking in terms of – I talked to you about some of the functional blueprints within the operational – operation theory of finance, sales, human resources, and there's many blueprints within those areas, functional areas, but there's also industry blueprints, industry-specific ones along retail, life sciences, financial services and banking, insurance healthcare; a lot of great assets out there that you can access by becoming a member of the Innovation Center. And they're all at ibm.com/cognos/innovation-center.

So just a quick intro on the innovation center and business analytics and a little deeper dive into what performance blueprints are, it's now my pleasure to introduce Mike Wilcox, senior advisory software engineer from the Innovation Center who's going to begin showing you the sales planning and forecasting blueprint.

Mike, you have the floor.

Michael Wilcox: Thank you, Tim. And I'll start on the first slide. That would be better.

Welcome, everybody. We're going to be taking a look at the sales planning and forecasting blueprint. I was involved in the TM1– still am involved in the development of the TM1 portion of the blueprint. And Kathy McPhee, who

you'll be hearing from shortly is working on the development of the reporting aspect for this.

This blueprint – in keeping with – keeping members (appraised) of most recent development, this one is still in process. As Tim said, we're in the final stages of development. But – so hopefully, everything will run wonderfully and smoothly here.

This blueprint is built a little differently than some of the other blueprints in that it basically attacks sales planning and forecasting and shows the possibility for doing so in a number of different methodologies as opposed to taking one. I find it hard to imagine that you'd have one company that would be doing transaction and opportunity and subscription forecasting, et cetera, all within the same type of business. And as we get into it, I think they'll become apparent to people.

However, if you were in a situation where you need a subscription forecast, this would definitely be a method of which you could use and it would work and that you could adapt very quickly to your organization, same thing for any of the others.

At a very high level, if we take a look, we're calculating revenue by a number of different methods that we've talked about, transaction, opportunity, subscription usage, services summary and then just a catchall category for other, for things that wouldn't fall into these. And this is just a representation of the flow of how that information is moving through. So as an example, under transaction assumptions and transaction forecast baseline on the left, there's actually two different tabs in the model which are two views of basically the same queue that have been developed.

Transaction forecast is involved in taking a look at products. The page we're looking at here for fishing rods, 10,000 fishing rod pins – there's a number of different types. For an individual who's doing a planning for a particular customer, this is the current forecast we're looking at here. Contracted units are brought in. There's a plan where you put in the incremental units. There are some assumptions in the model like list price and unit times list price to

get some revenue. We have discounts that people are planning for future months, et cetera, working towards a growth margin. But this would be a methodology we were using if you were selling products.

If you were looking at a methodology of opportunity, so we have a pipeline that's taking place, let's say, with selling software to a number of different companies, we'll be looking be at something along this line. We will look at all of these in the model very shortly.

In tracking someone here, (Felicity) is doing her June forecast. And for – we can see deals one through 10 up there going through and making some changes as to where sales step they are a. There, they're making a decision with the information; they've done a presentation. And then there's some percentages, probability percent of closing that are being brought in that are being...

(Rhonda): Hey, Mike. Mike, sorry, this is (Rhonda). It looks like you're not application sharing.

Michael Wilcox: Nobody can see us?

(Rhonda): (Erica)?

(Erica): I'm advancing the slide for you.

Michael Wilcox: OK. So can I move back to this?

(Rhonda): OK. There we go.

Michael Wilcox: Well, I'm not sure – are we looking at opportunity methods?

(Rhonda): Yes.

Michael Wilcox: OK. So you are running the slides there?

(Rhonda): Yes.

Michael Wilcox: OK. OK. The next method is a subscription forecast. The subscription forecast – think about magazine subscriptions; there's a lot of different types of subscription, say, maybe your local newspaper and to find, there's a number of different products, this one is kind of interesting. So we say, we have a 13-week or 26-week, 52-week, 104-week subscription and a methodology of planning our renewal in our forecast as well as turning to other subscription links and getting turns from other subscription links.

So we'll take a look at subscription forecasting. We'll take a look at a usage forecast. In this case, we'll be looking at something like cellphone usage. So it's based on a number of plans and minutes and different market segments where we're planning plans added and plans dropped to go through, and to get to a plan revenue, and looking at standard in weekends and weeknight minutes and overdues and getting ourselves to a total revenue number.

Services forecast, we'll be taking a look at, say, scheduling consultants, there's something along those lines so you'll have days of utilization and target utilizations and utilization percent, and billing rates in working towards getting a revenue for services. And then, we'll just have a (inaudible), which is basically just the ability to enter a prescription and then enter a dollar amount in the particular time period, and have those added to the summary, which is a revenue summary, which just brings all of those together by a month and gives you the opportunity to take a look at those.

So with that, what I'm going to do is I'm going to jump into model. Can everybody see the screen because now it is imperative that I'll be sharing?

Female: And, yes, we do see the welcome sales user.

Michael Wilcox: OK. Good. This will be a typical log in screen. I've gone by the log on and I've come into the workflow at this point. The – if I was – just a response – if I was (Felicity), and I logged in, all I would see would be that location. If I was in charge of U.S. sale like the area, I think, below U.S. sale, total company wherever I came in. Checking on (Felicity), I would jump into the model. Hopefully, everybody can see that.

We're taking a look at the revenue summary. There's a current forecast, a previous currency or actual plan prior to actual, some variances we could be taking a look at. And this is a consolidation of all the different methodology that we could be using.

The first methodology we had talked about was transaction forecasting. I'm going to jump a little bit back so we work up towards the screen. We have basically (started) with some transaction information so by customer, what industry they're in and credit ratings, some annual sales. The key here is the count (inaudible) number of days and the payment terms which will be used to find out if we're applying the discounts later on.

One view of the transaction assumption is our forecast baseline inputs. What the model is doing for transaction forecasting is it's taking a look at the actual numbers and budget numbers. And you can then decide (buy) a particular product whether it's a combination of actual budgets or if it's a goal, or a full year plan, or exactly how we're coming at those items. The assumptions cube has a number of different assumptions that are brought in. We have the list price for the products, the cost per unit, the contracted units that are coming in, this is being done by customer.

And they have the ability if they wanted to change the percentages going forward or change the percentage of discounts in any particular month they would like to do so. The transaction forecast tells – they really don't even need to see this tab; you'd probably hide it to the end user but it's taking the information on the previous tab and bringing in the baseline and what your actuals are in previous forecasts and deciding if, you know, products were done by summer season or winter season or whatever methodology you had used, using that to come up. Basically on here, you're coming up with the incremental units.

The incremental units are brought over. Contracted units are there and, basically, what you have is a methodology, what it's going through. And by products, we're taking a look into things, basically, what would apply and what your revenues are, et cetera. The products were flexible.

I could take a product as an example and swap dimensions. And instead of looking at contracted units, if I wanted to, I could come down here and say, show me the revenue, and I could be looking at my revenue for each different product – those type of items. Those are looking at current (to your) actuals. I could be looking at my forecast. I'd have the ability – if I wanted, there's a baseline forecast. You know, I can go through and make adjustments on those numbers to change whatever I wanted. You're now making changes to revenue because revenue is a calculated item. But – OK.

Going forward, the second one is opportunity summary. Opportunity summary, again I'll start a little further back. We stop with some assumptions which basically says, depending on where I am in the process, they'll give me a percentage of whether or not I think that we will possibly make this sale. So, a new lead, I got a 10 percent probability of closing to if I get an endorsement by the clients, I got about 80 percent. Once I get to a 75 percent, it's actually included in the forecast. It's what the decision is made by the company. All those decisions can be changed by the user to whatever they want it to be.

So some information about the opportunity, is a place to capture who the prospect is, what kind of opportunity, drop down through a number of these items, what products are we using for it, those types of things, who the competitors are.

The forecast itself, when I come in here, I am looking at one deal and what somebody say it's going to be doing in January and then they modified it in February and they changed in March they presented and they moved it to the short list. And you can see a deal as it's going through time; one method to look at it it, or I could go and flop this around, and say, you know, let's take a look, let's say, it's the month of June and this is my June forecast.

And based in June, looking at each one of my deals here, I can see exactly where it's sitting. If I have made any changes, I think deals nine and 10 out here, I actually just added in June, that type of things. But, you know, you could, you know, change your dollar amount if you had wanted to. You could say I sent the information. And then, you know, a week later, it's a qualified

opportunity and that brings in a different percentage. So you can see how you can manage your deals as you're going through here. And then that is pulled into a summary cap. And if I went to the June forecast, it might on a different product or deal. I don't know which deal I was on.

But you can see that items that have been committed and items are being brought forward, those type of things. Let's go to deal total or the product total. And you can – we have some goals we're setting for and those type of items.

Subscription forecast is for magazines, as an example, or say a newspaper subscription, we have – think of it as we have four different products, a 13-week, a 26-week, a 52-week, and a 104-week, then we offer discounts and the discount gets tapered the longer you commit to what you are doing.

If we take a look at this subscription forecast, the last taking place is kind of a busy screen but we have a by-week going-forward time scale. We have the eligible, our first week of what we have going on. We say we're going to renew 80 percent of those. We come forward and say we're going to take 5 percent of those and convert 13 weeks and convert them to 26 weeks. We're going to take another 5 percent and convert them to 52-week, another 5 percent, convert them to 104-week. That adds to 95 percent so I guess I'm planning on losing 5 percent of my customers, OK.

I then have churns coming in from these other items, from the 26-, 52-, and 104-week. So that gets to a new number of total subscriptions between my churns-in, my churns-out. And what I renewed, I have some subscriptions here. I've got a great price, I have a discount, I have a discounted price and I can calculate my revenue for 13 weeks.

The 727, since this is a 13-week subscription, would slide up here to the beginning of the fourteenth week. It's like the 650 from week two, we come up to week 15 as they feed forward. OK. If I was to go further down the page, so I'm in 26-week, and churn percent to 13-week is 5 percent or 21 subscriptions are going to go from the 26-week to the 13-week. And if I came

up here, I could see that coming from the 26- or the 13-week are those 21 subscriptions.

So there's a lot of interesting math (flying) through here. And, basically, all the numbers that are forecasting is what your renewal rates are and what your churn rates are and you would be doing that for each different sections, 13 to 26, the 52, the white items that are (editable), and then these 104-week section and you get a total revenue that would then be brought forward.

Usage assumptions – you have some items on the plan prices. This is the cell phone usage type of item where we're going to be planning by plan and by market segment, so a number of different rates and the multipliers that we used in that.

And then basically what you have is you have that goal. I'm looking at total plans and total markets. Let's say I go to an individual and I go to a Plan One and take a look at my baseline where I can calculate items. I would be planning my plan's edits and my plan's drops. And then I would be using the multipliers and calculating your overages and figuring out what your total revenues are for you.

OK, (inaudible) summary, it's picking out revenue based on consultants, type of item people that are being scheduled out in the field. Again, they have some service assumptions, what type of consultants they have, their rates, their discounts. I have a forecast that I can go through by project, by consultant, for those people who are reporting to (Felicity). And January and February are locked in this instance because they're looking at those as their actual months. But going forward, we're sitting there saying what are the number of days and days adjustment that I have going places.

The next tab could be hidden; it's just a consolidation tab that I need to pull together what (specification) and mandatory meetings are in order to forward those to the service utilization target, so that I can take a look at what my target, and I can reduce those by mandatory meetings. On (occasion) they get a new utilization target and those are brought over into the summary. So I've number of days for utilization, I have a target, I have my utilization percent

and then using their rates and their discounts, I'm going through and calculating the revenue I'm making from each one of these people.

And we could come in and look at, you know, how (Felicity) is doing with the people who report to her, or you could be going in somewhere higher within the chain. And I think that Kathy with show that within her reports probably. And here are some other items to take a look at how U.S. sales are doing in Northeast, their total company or those type of items. OK.

OK. The last item is the other forecast. And the other forecast is really pretty simplistic, it's just the ability to go in and type in and, you know, say that, you know, we have a meeting on 08/03, and for the meeting on 08/03, line three, going to come here, you know, save myself $3,000. And I presume if I go back to the revenue summary for August, I should see that, all the revenue coming in. I added – if you could see, I changed it there, it went to 13,000, I presume because there was 10,000 already there. There was – there was 30,000 or 10,000 already there, so it went to 13.

The actual (inaudible) assumption is just a (inaudible) that automatically would look at the date stamp on the server and figure out what the current one from the forecast month are, that type of thing, in order to be used in a couple of the different calculations they are done within the model.

So, (inaudible) cap sharing, and I'll turn it over to Kathy.

Kathy McPhee: OK. Here's our first look at the dashboard that's divided up into the various forecasted methodologies, and the first one I'd take a look at is the opportunity. So, this particular report presents the forecasted revenue that is divided up into quadrants.

Female: And Kathy, I'm sorry. We see your desktop. And now, we go up – we see the opportunity forecast.

Kathy McPhee: OK, great. All right, so in this particular report, we are looking at the relationship between the probability present and the forecasted revenue. And the chart sort of directs your attention to the most attractive deals being managed by the reps for a particular month. And we're also able to drill into

the details of the deal, and we can see where we are and it shows the sales process.

So, here we've got a pretty good look at what that pipeline looks like for that particular rep for that particular deal. The next methodology is the (inaudible) revenue. And this particular report looks at customers that are currently receiving product discounts. And based on their account delinquency, we can establish a new revised discount that potentially recaptures some of that revenue.

So if we take a look down here, we can see that customer number one is 120 days overdue. And our recommendation then is to not provide a discount and, giving us (inaudible) gain of $2,000. And customer number two, 90 days overdue and there is some – a little bit of the discount. They were receiving six – almost six and a half and we can kind of take a look, too, and drill into the different products. And here we can see sort of that change in – sorry, down here – a change in the percentage discount.

We inserted down here – we can see customer number four is enjoying a 20 percent discount. And then we're recommending that we now cut it down by half and we can kind to take a look at this 40,000 gain in potential revenue. You can also change the focus of this report by adjusting the time selection in the sales rep.

Service utilization. Here we're plotting the revenue for a year and also the utilization by the region. And we can drill down into these regions. And we'll take a look here at the northeast, right down to the rep. And we can also take a look at the time and that goes down to the month. Again, you can see how these charts sort of adjust as we're going up and down and looking at the details.

Subscriptions. Again, we're looking at the U.S. sales. We can change the organization that we're looking for. A matter of coming in here and drilling down. We can also change the number of weeks that we're charting. And I'll just choose – I'll just choose the northeast.

So by sales (alert), we can take a look at that subscription revenue to better understand the churn rates, then we can change the start and the number of weeks to churn. (Inaudible) in the pattern of how we want to approach those subscriptions.

The last – the last tab that we have here is the revenue summary. And this one is fed by all of the other cubes and so we're able to be quite flexible on how we'd like to approach our analysis.

Again, we've got that flexibility to choose the organization, the measure, and the forecast version that we'd like to see. And then I can address this to maybe the subscription forecast, and maybe would like to see current. And that, there we have it. I'll turn this mike over to Tim.

Tim O'Bryan: OK. That was great. I apologize. I didn't realize I was on mute. Anyway, Kathy McPhee, Mike Wilcox, senior advisory engineers with the IBM Cognos Innovation Center really appreciate you giving up this early look at the sales planning and forecasting blueprint.

Apologies to everyone, a little informal here as Mike and then, I think, Kathy alluded to. Since this is in production, we've got, you know, two major components to this blueprint, TM1 and our BI, and Michael and Kathy are both collaborating on this effort obviously. When the blueprint is complete, it will be a kind of more packaged solution, if you will. Something I neglected to mention earlier, these are free to our customers, absolutely free, easily customizable.

So maybe what you saw today was about, you know, 60-70 percent reflective of your practices around sales planning and forecasting, very easy to customize this to perhaps cut out some things that maybe you're not doing that exists within this blueprint, but as I mentioned earlier, it's a great reference point. Perhaps some of those things that you're not doing today, some of those levers that Mike showed you earlier, those aren't things you're using today, but it might be a great source of discussion for you to possibly implement into your environment.

So, these are great reference points, easily (implementable). And when we create these, we're also taking into account scale and flexibility based on the numbers of users, geography. You might want to have this set up as a global solution, so pretty easy to deploy in that respect.

And we're certainly available to answer any questions that you may have along the way. I believe they showed my e-mail address, tim.obryan@us.ibm.com. You certainly can contact me directly if you have any questions or just simply go to out ibm.com/cognos/innovation-center and our contact information is available there, as well as becoming a member, a great way to leverage and access all the other assets we have available.

I think we've got a little extra time here, so we can give you back about 20 minutes. If you have any questions, as I've mentioned, please reach out to us, that's what we're here for. Otherwise, please enjoy the rest of your day and we really appreciate you joining us for this webcast today.

Thanks again. Take care, everyone.

Operator: This concludes today's presentation. You may now disconnect.

END