
Dell Force10 EITF 08-1 Revenue Automation Project



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Background

- 2009 Merger of Force10 Networks (Ethernet switching and routing products) and Turin Networks (multi-service transport and access switches)
- Approximately \$200M annual revenue, 400 employees, 6 Revenue, 14 day close cycle
- Merged both entities onto Turin Network's Oracle 11i instance in May 2010
 - Force10 used QAD and Access DB for Revenue Management
 - Turin used ERP suite, but managed revenue in Excel. (OM, AR, SC, FA, GL)
- Customization of AR module to handle 97-2 revenue requirements
 - Customer contract based deferrals (Acceptance, Future features, etc.)
 - Ratable revenue due to lack of VSOE
 - Standardization of business processes



08-1 Revenue Automation Solution

Requirements:

- Adoption of 08-1 by October 1, 2010
- Automate manual support deferrals
- Maintain increased customer contingency capabilities
- Automation of VSOE and BESP analysis
- Continue process improvements to streamline deal review and shorten time to close month-end books
- Reporting/compliance to support potential IPO

Alternatives:

- Manual Adoption
- Additional Oracle customizations
- 3rd party solutions



Implementation - RevPro

- 3rd Party solution – RevPro by Leeyo Software
 - Expertise in 08-1
 - Reduced in-house IT resources required
 - Based on IT input, replacement for prior customization AND new functionality

2 Modules:

1. Contingent Revenue Management Module

- Revenue recognition based on user-defined business rules.
- Matching of COGS and Revenue recognition
 - All Revenue/COGS deferred upon invoicing
 - Revenue Recognition – distributions created on Oracle invoices
 - COGS recognition – GL posting

2. EITF Module

- Automatic linkage of transactions based on business rules
- Automation of 08-1 and 97-2 allocations (essential vs. non-essential SW)
 - Revenue allocations pushed through Oracle A/R
 - RevPro invoices net to zero (no impact to A/R balances)
 - Separate A/R transaction type
- Automation of FV analysis (ESP and VSOE)



Contingency Management

- Contingency Types:
 - Customer based – acceptance, Right of Return, Cash Receipt
 - Product based – Professional services, Pre-FCS products
 - Geography based – Outside US
 - Global – all arrangements over \$100K
- Release Events:
 - Cash Receipt (closing of Oracle invoice)
 - Time (30 days from shipment date)
 - Manual
- Ability to set start and end dates for Contingencies
- Ability to assign/release contingencies at Line/Arrangement level



EITF Module

- FV Matrix-“Fair Value pools”
 - VSOE or ESP
 - Business-defined pool criteria
 - Price Lists
 - Business Unit
 - Product type (Product, Support, Training, PS)
 - Product Family
 - Customer specific
 - F10 implementation based on % of List price +/- 15%
- FV Batches - Actual values for Fair Value pools
 - RevPro has standard functionality to analyze pools and determine FV values
 - F10 not currently using due to lack of historical data
 - VSOE/ESP analysis done outside of RevPro and values uploaded in batches
 - New batches/values based on effectivity dates
 - F10 updates values semi-annually or when required based on SKU creation



How RevPro works at Force10:

- Transactions linked into arrangements based on combination of same quote/same PO when pulled into RevPro
- Contingencies applied based on business rules. Revenue/COGS waterfall forecast created based on contingencies and business rules.
- RevPro reviews all line items to determine if within FV range (+/- 15%)
 - If All in range – no allocations done
 - If any lines out of range – allocation to FV done on all lines
- RevPro performs 97-2 allocation as appropriate – 08-1 amount allocated to 97-2 SKU's is analyzed and residual allocation performed on these SKUs



How RevPro works at Force10 (cont'd):

- RevPro Contingency release program reviews contingencies to see if criteria for release has been met (i.e. cash receipt, days past shipment) and releases appropriately.
- AR revenue distributions are created and RevPro EITF allocation invoices are pushed to Oracle AR interface table for invoicing and posting to GL.
- Cost journal entries are pushed to Oracle for posting to GL.
- Process of batch creation, review and release is completed multiple times throughout the period.
- Revenue and Cost Waterfall reports are generated for actual and forecasted revenue and cost rollout. Reports reviewed and reconciled to the GL at end of period.



Force10 Customizations

- Creation of placeholder (non-invoiced) support lines on Oracle order upon quote upload for standard service
 - Allows complete PO booked at one time – booking visibility
 - Allows Revpro to perform correct 08-1 allocations within RevPro at time of bookings.
 - Sales order lines replaced by invoiced SC lines in RevPro
- For support items where list price is based on a percentage of product list or net price on multiple element transactions, RevPro calculates the support list price.
 - Custom UI tables within RevPro store pricing info – RevPro code performs calculation
- Creation of placeholder (non-invoiced) support lines on Oracle order upon quote upload for free support and Bundled PCS.
 - Allows Revpro to perform correct 08-1 allocations and automates carve outs.



Challenges

- As early adopters, required more time and effort working with Leeyo team to get functionality and reporting correct.
 - What to customize vs. where to change business process
- Implementing Contingency Management and EITF functionality at the same time increased complexity significantly
 - Partial shipments
 - Different approach to transition reporting requirements
- Performance issues – unclear if F10 IT/Oracle issues or RevPro issues – resolution was patch for AR module in Oracle
- Impact on business process changes not fully understood and being modified “on the fly” after go-live
- As multiple legacy revenue streams not migrated into RevPro, manual consolidations required for complete revenue picture.



Benefits/Future Roadmaps

Benefits:

- Shortened close cycle from 10 days to 4 days with decreasing headcount by 2.
- Increased visibility and analysis
 - Why items deferred
 - Forecasting – timing of revenue rollout

Future Roadmap:

- Prior to acquisition, plan was to automate BESP analysis
- Dell has internal systems to handle 08-1 requirements
 - DW/high level journal entry for Americas
 - Customization of Oracle R12 (GAAP calculator) for EMEA/APJ

