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# 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
- 3<sup>rd</sup> party solutions



# Implementation - RevPro

- 3<sup>rd</sup> 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

