

*Logout the  
Personnel for sales  
communications.  
Prep for them -  
- Avoid detailed tactics -*

CONFIDENTIAL

# JD Edwards Product Market Strategy: Making it Actionable



Discussion document  
May 31, 2001



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*Wyatt*  
**EXHIBIT**  
*82203 888*  
AGREN BLANDO REPORTING

## SUMMARY OF TODAY'S DISCUSSION

**• In our last discussion, we recommended that JD Edwards aggressively focus on their historical core mid-market business segments to become a \$2.5 billion-4.5 billion company by 2005**

- To reach this target, JD Edwards should further focus within the core, create a compelling marketing plan, and reallocate and improve productivity of resources
  - JD Edwards should further focus on "sweet spot" accounts in specific business segments/verticals within the \$500 million-3 billion range to focus JD Edwards' constrained resource pool
  - JD Edwards should then create a compelling marketing plan targeted at these verticals, including value propositions, product and service bundles, and appropriate marketing vehicles
  - JD Edwards should then use these marketing programs to reallocate sales, product development and consulting resources to align against the opportunity, as well as improve productivity to achieve a competitive cost structure
- To execute this strategy, JD Edwards should develop detailed action plans and begin executing across marketing, product development, sales, and consulting

# LAST DISCUSSION, WE RECOMMENDED THAT JD EDWARDS FOCUS AGGRESSIVELY ON ITS HISTORICAL CORE MID-MARKET BUSINESS SEGMENTS

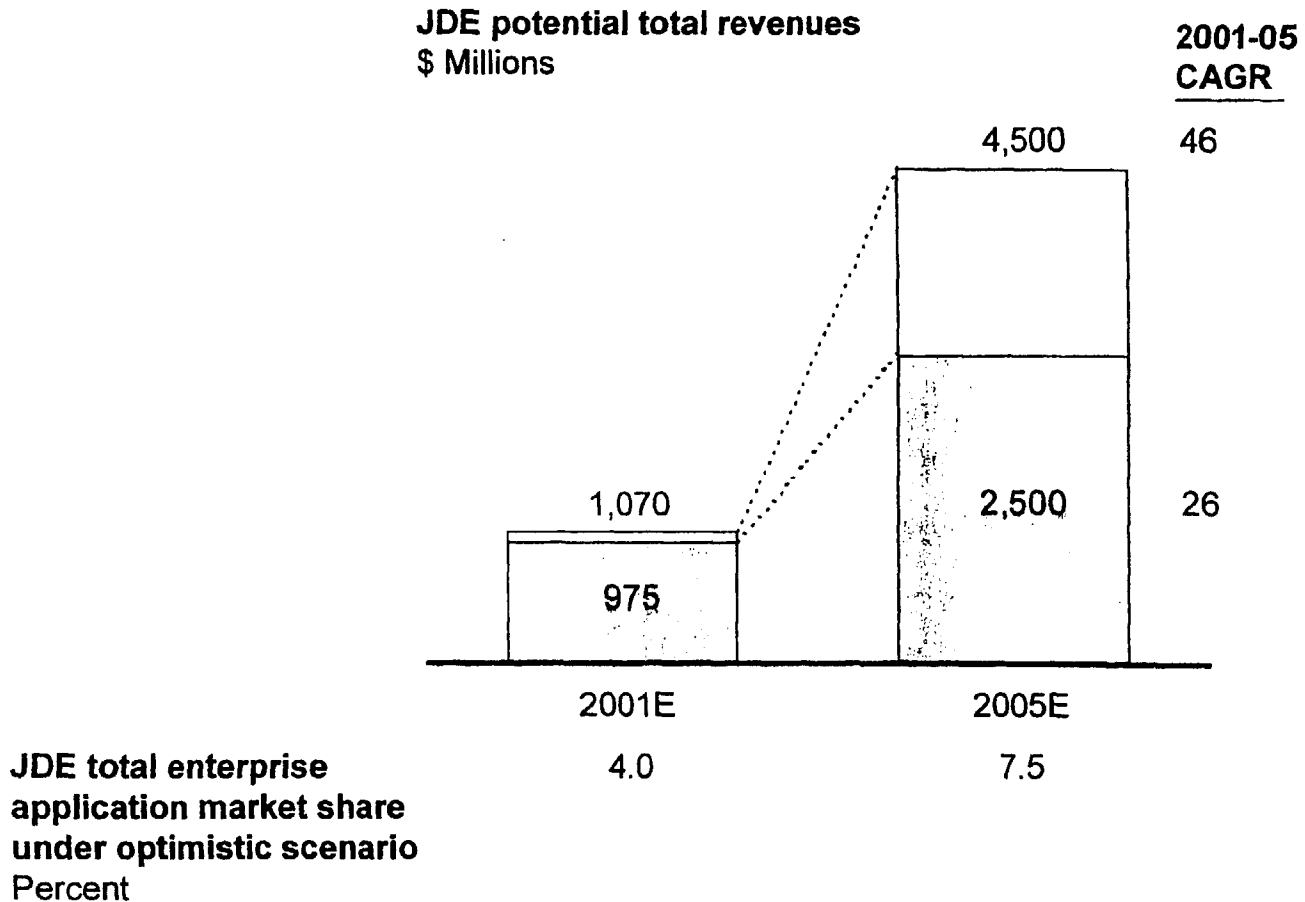
|   |                                     | Company size                     |   |  |
|---|-------------------------------------|----------------------------------|---|--|
|   |                                     | Small (<\$100 million)           | Mid-enterprise (\$100 million-1 billion)  | Large enterprise (>\$1 billion)                      |
| Core and profitable                       | Manufacturers                       |                                  | Option 1<br>"Fill out the core market"<br>a. Domestically<br>b. Internationally focus on high-potential markets |  |
|   | Distributors                        | Expand if can serve economically |   | Expand if buying behavior consistent with mid-market |
|   | Asset-intensive businesses          |                                  |   |  |
|   | Project-oriented/knowledge managers |                                  |   |  |
| Core and unprofitable                     | Public sector                       | JD Edwards further investigating |   |  |
| Noncore and unprofitable, but high growth | Retailers                           |                                  |   |  |
|   | Customer facing                     |                                  |   |  |

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Source: JDE financial data; McKinsey analysis

# FOCUSING ON THESE SEGMENTS COULD RESULT IN REVENUES BETWEEN \$2.5 BILLION AND 4.5 BILLION BY 2005

Conservative  
 Aggressive



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## **SINCE OUR LAST DISCUSSION, WE FOCUSED ON THREE ISSUES**

- ① Further define JD Edwards core mid-market "sweet spot" in terms of company size and target verticals
- ② Frame necessary changes to marketing, including value proposition, product/service bundles and pricing
- ③ Define the implications for resources, skills, and productivity required for
  - Sales
  - Product development
  - Consulting

## SUMMARY OF TODAY'S DISCUSSION

- In our last discussion, we recommended that JD Edwards aggressively focus on their historical core mid-market business segments to become a \$2.5 billion-4.5 billion company by 2005
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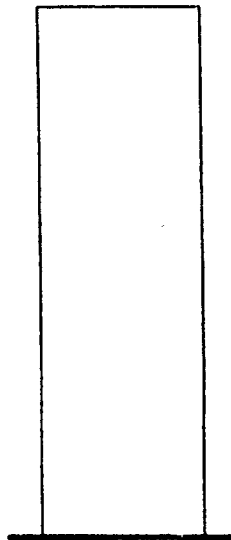
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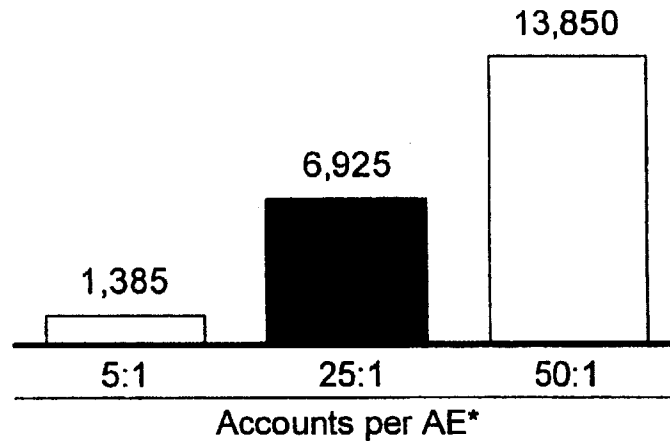
# JD EDWARDS MUST FURTHER FOCUS ITS DIRECT RESOURCES – AS IT CANNOT COVER THE ENTIRE CORE MID-MARKET

Number of companies between \$25 million-1 billion  
Number of companies

100% = 181,500



Number of companies JD Edwards could cover given 277 current AEs



How should JD Edwards target their limited sales resources?

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\* Typical coverage in mid-market for new customers = 25:1; installed customers = 50:1  
Source: Dun & Bradstreet; McKinsey benchmarking

## THERE ARE ADDITIONAL BENEFITS TO FOCUS

|                            | <b>Focus means . . .</b>  | <b>. . . which results in</b>   |
|----------------------------|---|---|
| <b>Sales</b>               | <ul style="list-style-type: none"> <li>• More targeted sales coverage               <ul style="list-style-type: none"> <li>– Fewer segments/verticals to know and sell to</li> <li>– Simpler value proposition to sell</li> <li>– Fewer relevant products to know and sell</li> </ul> </li> <li>• More proactive vs. reactive sales (e.g., named accounts)</li> </ul> | <ul style="list-style-type: none"> <li>• Increased efficiency               <ul style="list-style-type: none"> <li>– Simple, more efficient training</li> <li>– Higher win/loss ratio</li> </ul> </li> <li>• Increased sales               <ul style="list-style-type: none"> <li>– More effective, skilled sales people</li> <li>– Higher prices (fewer competitive RFPs)</li> </ul> </li> </ul> |
| <b>Marketing</b>           | <ul style="list-style-type: none"> <li>• Simpler, easier to understand marketing messages (i.e., one value proposition)</li> <li>• More focused marketing spend across fewer verticals</li> </ul>   | <ul style="list-style-type: none"> <li>• Increased sales               <ul style="list-style-type: none"> <li>– Higher overall brand awareness</li> <li>– Increased effectiveness of targeted marketing dollars</li> </ul> </li> </ul>  |
| <b>Product development</b> | <ul style="list-style-type: none"> <li>• Fewer vertical-specific products to develop</li> <li>• Less customization required given single mid-market value proposition</li> <li>• Less QA, given similar problems across customers</li> </ul>  | <ul style="list-style-type: none"> <li>• Increased efficiency and sales               <ul style="list-style-type: none"> <li>– Products with a better feature/functionality match</li> <li>– Increased investment in new product development with redeployed resources</li> </ul> </li> <li>• Faster time to market</li> </ul>  |
| <b>Consulting</b>          | <ul style="list-style-type: none"> <li>• More targeted consulting coverage               <ul style="list-style-type: none"> <li>– Fewer segments/verticals to learn</li> <li>– Fewer products to know</li> <li>– Simpler value proposition to learn and sell</li> </ul> </li> <li>• Single set of similar business partners</li> </ul>                                | <ul style="list-style-type: none"> <li>• Increased efficiency               <ul style="list-style-type: none"> <li>– Simple, more efficient training</li> <li>– Higher utilization, less ramp up time</li> </ul> </li> <li>• Increased sales               <ul style="list-style-type: none"> <li>– Simpler customer story</li> </ul> </li> </ul>   |

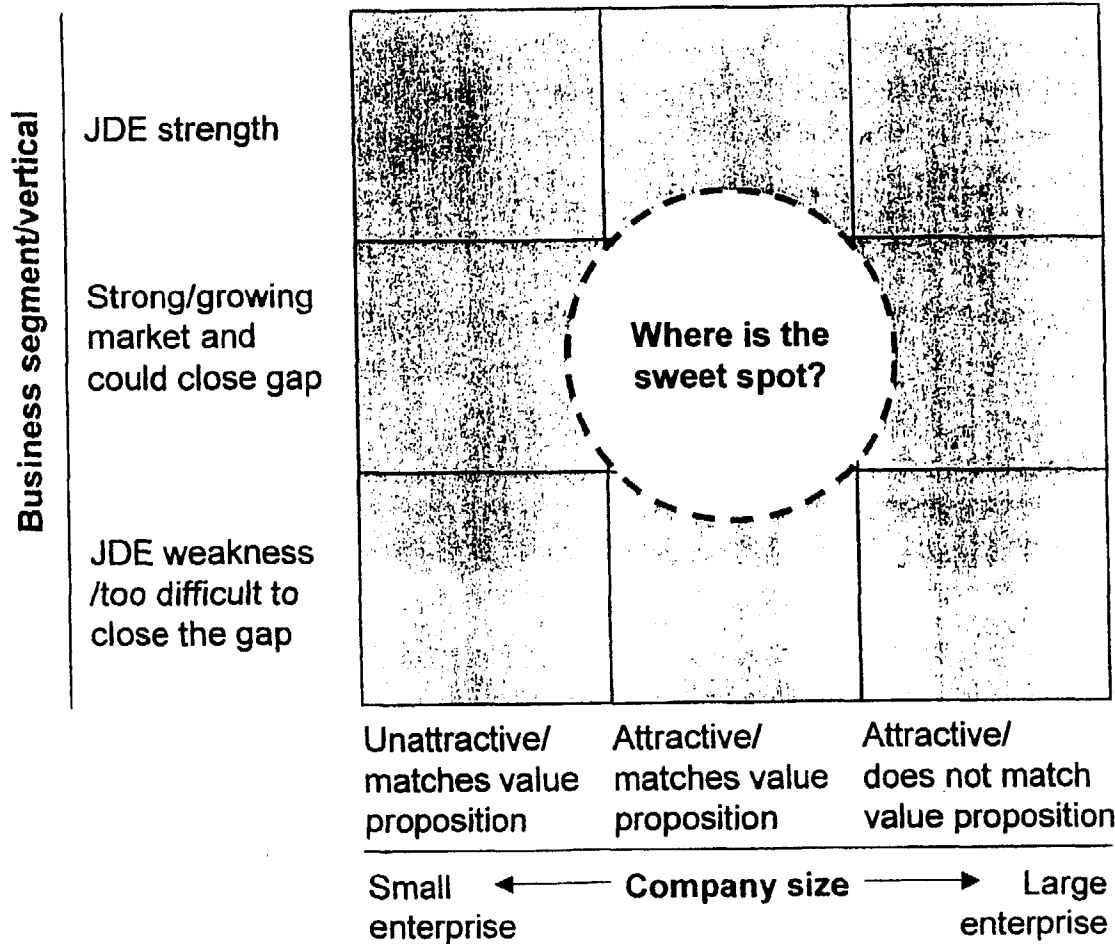
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*Acquisition Target*



# TO ACHIEVE THIS FOCUS, JD EDWARDS MUST DETERMINE ITS CORE MID-MARKET SWEET SPOT

ILLUSTRATIVE




## Criteria to determine the sweet spot

- Business segment/vertical
  - JDE market share
  - JDE fit with segment functionality requirements
  - JDE ability to close functional gap
  - 2005 market size and growth
- Customer size
  - Buying behavior
  - Average deal size
  - Gross margin

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# JD EDWARDS SHOULD FOCUS ON HIGH POTENTIAL VERTICALS

 Focus

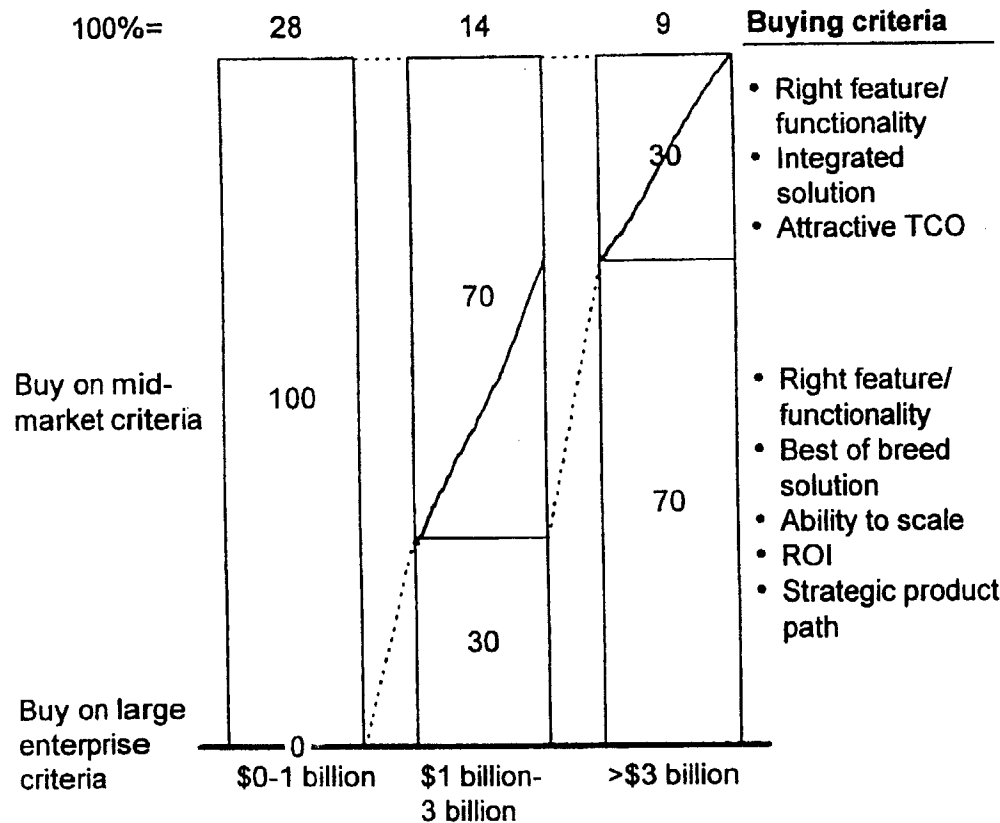
|  | Business segment            | Vertical                                   | JDE share of market Percent | 2005 worldwide software market | 2000-02 CAGR Percent | New product requirements  | Total 2005 software market Percent |
|--|-----------------------------|--|-----------------------------|--------------------------------|----------------------|---|------------------------------------|
| <b>JDE strong today</b>                              | • Asset intensive           | • Energy (oil exploration)                 | 23                          | 13                             | -30                  |   |                                    |
|  | • Project-oriented/KM       | • Professional services                    | 19                          | 470                            | 39                   |   |                                    |
|  | • Asset-intensive           | • Professional maintenance/repair services | 16                          | 366                            | 25                   |   |                                    |
|  | • Manufacturing             | • Pharma/biotech                           | 16                          | 327                            | 12                   |   |                                    |
|  | • Manufacturing             | • CPG                                      | 13                          | 278                            | 0                    |   |                                    |
|  | • Manufacturing             | • Primary fabricated materials (IFA)       | 10                          | 182                            | -14                  |   |                                    |
|  | • Asset-intensive           | • Mining                                   | 9                           | 112                            | 20                   |   |                                    |
|  | • Asset-intensive           | • Construction                             | 9                           | 234                            | 39                   |   |                                    |
|  | • Distribution              | • Electronics                              | 8                           | 397                            | 24                   |   |                                    |
|  | • Manufacturing             | • Machinery                                | 5                           | 393                            | -2                   |   |                                    |
|  | • Distribution              | • Health care                              | 4                           | 412                            | 26                   |   |                                    |
|  | • Distribution              | • CPG                                      | 4                           | 416                            | 0                    |   |                                    |
|  | • Manufacturing             | • Chemicals                                | 4                           | 550                            | 11                   |   |                                    |
|  | • Manufacturing             | • Automotive/transportation                | 4                           | 473                            | 2                    |   |                                    |
| • Manufacturing                                      | • Paper products            | 4  | 104                         | -10                            |                      |   |                                    |
| • Project-oriented/KM                                | • Construction              | 3  | 234                         | 39                             |                      |   |                                    |
| • Distribution                                       | • Automotive/transportation | 3  | 203                         | 2                              |                      |   |                                    |
|  |                             |  |                             |                                |                      |   | 21                                 |
| <b>Strong/growing market and could close the gap</b> | • Manufacturing             | • Electronics                              | 2                           | 3,207                          | 24                   | • Shop floor tracking, material requirement planning, design and project management |                                    |
|  | • Distribution              | • Transportation/warehousing               | 1                           | 2,708                          | 41                   | • Transportation planning and monitoring  |                                    |
|  | • Distribution              | • Wholesale trade                          | 1                           | 918                            | 9                    | • Transportation planning and monitoring  |                                    |
|  | • Distribution              | • Telecom/cable/satellite                  | 1                           | 594                            | 54                   |   |                                    |
|  | • Asset-intensive           | • Real Estate                              | 1                           | 470                            | 39                   |   |                                    |
|  | • Asset-intensive           | • Telecommunications                       | 0                           | 5,537                          | 54                   | • Billing, KM, service provisioning   |                                    |
|  | • Project-oriented/KM       | • Defense contractors                      | 0                           | 630                            | 26                   | • Project management  |                                    |
|  |                             |  |                             |                                |                      |   | 56                                 |
| <b>JDE weakness/ too difficult to close the gap</b>  | • Project-oriented/KM       | • Medical devices                          | 2                           | 71                             | 18                   |   |                                    |
|  | • Asset-intensive           | • Utilities                                | 1                           | 622                            | 11                   | • Billing/provisioning  |                                    |
|  | • Manufacturing             | • Apparel                                  | 1                           | 127                            | -7                   | • Customer design/configuration tie-in to supply chain                              |                                    |
|  | • Project-oriented/KM       | • Textiles                                 | 1                           | 630                            | -5                   |   |                                    |
|  | • Project-oriented/KM       | • Education                                | 0                           | 630                            | 28                   | • Student administration  |                                    |
|  | • Project-oriented/KM       | • Electronics                              | 0                           | 1,603                          | 24                   | • Project management  |                                    |
|  | • Project-oriented/KM       | • Health services                          | 0                           | 964                            | 26                   | • Insurance billing   |                                    |
|  | • Project-oriented/KM       | • Information providers                    | 0                           | 728                            | 18                   | • KM, content management  |                                    |
|  | • Project-oriented/KM       | • Pharma/biotech                           | 0                           | 327                            | 12                   | • Project management  |                                    |
|  | • Manufacturing             | • Aerospace                                | 0                           | 203                            | 5                    | • Project management  |                                    |
|  |                             |  |                             |                                |                      |   | 23                                 |

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Source: VSS &amp; Interviews; McKinsey analysis; JDE financials

# ON THE HIGH END, CUSTOMER BEHAVIOR SUGGESTS JD EDWARDS VALUE PROPOSITION IS LESS ATTRACTIVE WITH COMPANIES ABOVE \$3 BILLION IN REVENUES

**Buying behavior by company size**  
Percent of companies interviewed



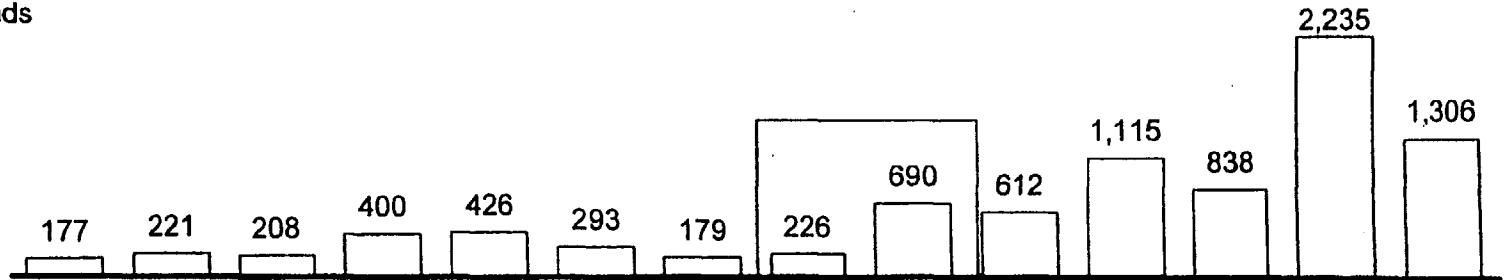
## Examples of JD Edwards' large enterprise customers

- **Dole Foods Company (\$5 billion)** – currently evaluating best-of-breed players for SCM, middleware, and information management software. Company strictly evaluates economics of software investment, including ROI and payback period
- **LVMH (\$12 billion)** – key software needs in next 18 months include SCM, CRM, direct/indirect procurement, and middleware. Company leverages software to capture synergies between its 650+ subsidiaries
- **Shell International Petroleum Company (>\$75 billion)** – strictly purchases software on best-of-breed basis and prefers customized integration. Believes JD Edwards current partnership strategy (e.g., Ariba, Siebel, and MicroStrategy) is attractive to large enterprise customers, but not mid-market

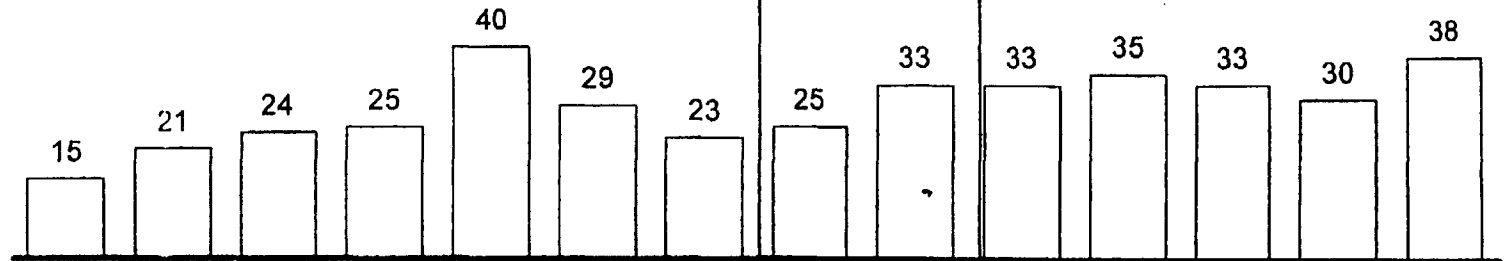
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# ONE CONSIDERATION FOR THE LOWER LIMIT IS PROFITABILITY AND DEAL SIZE

Average deal size  
\$ Thousands



Estimated gross margin  
Percent



|              |          |            |             |             |             |             |             |             |           |         |         |         |         |       |
|--------------|----------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|---------|---------|---------|---------|-------|
| Company size | \$1M-50M | \$50M-100M | \$100M-150M | \$150M-200M | \$200M-250M | \$250M-300M | \$300M-400M | \$400M-500M | \$500M-1B | \$1B-2B | \$2B-3B | \$3B-4B | \$4B-5B | >\$5B |
|--------------|----------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-----------|---------|---------|---------|---------|-------|



Although not a clean break, deals below \$400 million-500 million tend to be smaller and therefore tend to be less profitable

*Priming  
to Sell Back  
to Installed  
Base*

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# IN ADDITION, THERE IS SUFFICIENT OPPORTUNITY IN THE \$500 MILLION-\$3 BILLION RANGE TO FULLY FOCUS RESOURCES ON THESE SEGMENTS

  Sweet spot


*New Buys*

|   |                                  | Number of companies without ERP |               |               | Change in buying behavior |              |              |            |            |
|---|----------------------------------|---------------------------------|---------------|---------------|---------------------------|--------------|--------------|------------|------------|
| Business segment                                | Vertical                         | \$25M-100M                      | \$100M-250M   | \$250M-500M   | \$500M-1B                 | \$1B-3B      | \$3B-5B      | >\$5B      |            |
| Strong today                                    | Manufacturing                    | • Pharma/biotech                | 849           | 239           | 91                        | 55           | 40           | 7          | 11         |
|   |                                  | • CPG                           | 5,178         | 1,238         | 429                       | 219          | 150          | 22         | 40         |
|   |                                  | • IFA                           | 4,031         | 764           | 208                       | 109          | 70           | 15         | 22         |
|   |                                  | • Machinery                     | 3,347         | 700           | 255                       | 115          | 102          | 15         | 27         |
|   |                                  | • Chemicals                     | 1,042         | 318           | 130                       | 88           | 83           | 22         | 41         |
|   |                                  | • Auto/transportation           | 1,341         | 470           | 160                       | 95           | 79           | 15         | 36         |
|   | Distribution                     | • Pulp and paper                | 3,065         | 622           | 212                       | 100          | 70           | 11         | 18         |
|   |                                  | • Auto parts                    | 3,148         | 605           | 191                       | 90           | 54           | 10         | 27         |
|   |                                  | • Electronics                   | 2,412         | 486           | 159                       | 80           | 48           | 9          | 21         |
|   | Asset-intensive                  | • CPG                           | 4,823         | 972           | 319                       | 160          | 96           | 18         | 42         |
| • Mining  |                                  | 3,118                           | 786           | 273           | 154                       | 100          | 23           | 19         |            |
| • Energy  |                                  | 412                             | 153           | 80            | 58                        | 33           | 8            | 16         |            |
| • Construction                                  |                                  | 2,122                           | 360           | 102           | 45                        | 33           | 5            | 4          |            |
| Project-oriented/KM                             | • Professional services          | 2,218                           | 355           | 102           | 40                        | 24           | 6            | 5          |            |
|   | • Professional services          | 11,171                          | 2,473         | 863           | 428                       | 272          | 44           | 62         |            |
|   | • Construction                   | 3,259                           | 530           | 148           | 82                        | 46           | 13           | 15         |            |
| Big and growing, JD Edwards could close the gap | Manufacturing                    | • Electronics                   | 3,174         | 654           | 220                       | 112          | 70           | 15         | 31         |
|   | Distribution                     | • Transportation/warehousing    | 2,241         | 368           | 108                       | 59           | 47           | 7          | 4          |
|   |                                  | • Wholesale trade               | 5,765         | 1,136         | 365                       | 193          | 127          | 23         | 45         |
|   |                                  | • Communications                | 883           | 254           | 135                       | 85           | 76           | 14         | 29         |
|   | Asset-intensive                  | • Real estate                   | 2,247         | 435           | 147                       | 76           | 36           | 9          | 13         |
|   |                                  | • Telecommunications            | 1,338         | 348           | 133                       | 82           | 49           | 9          | 14         |
|   | Project-oriented/KM              | • Defense contractors*          | 411           | 154           | 81                        | 58           | 33           | 8          | 16         |
|   | <b>Total number of companies</b> |                                 | <b>67,594</b> | <b>14,370</b> | <b>4,910</b>              | <b>2,580</b> | <b>1,739</b> | <b>327</b> | <b>558</b> |
| <b>Number of accounts/AE</b>                    |                                  | <b>50</b>                       | <b>50</b>     | <b>25</b>     | <b>25</b>                 | <b>5</b>     | <b>5</b>     |            |            |
| <b>Number AEs required to cover</b>             |                                  | <b>1,352</b>                    | <b>287</b>    | <b>196</b>    | <b>173</b>                | <b>65</b>    | <b>112</b>   |            |            |

\* Estimated number of companies  
Source: Dun & Bradstreet, McKinsey analysis

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# JD EDWARDS SHOULD FOCUS ON COMPANIES IN THE \$500 MILLION-3 BILLION RANGE IN TARGET VERTICALS

 JD Edwards  
"sweet spot"

|                            |  |   |           |       |
|----------------------------|--|---|-----------|-------|
| Business segment/verticals | Strength for JDE                                 | <ul style="list-style-type: none"> <li>• Manufacturing                             <ul style="list-style-type: none"> <li>- Pharma/biotech</li> <li>- CPG</li> <li>- IFA</li> <li>- Machinery</li> <li>- Chemicals</li> <li>- Auto/transportation</li> <li>- Pulp and paper</li> </ul> </li> <li>• Project-oriented/KM                             <ul style="list-style-type: none"> <li>- Construction</li> <li>- Professional services</li> </ul> </li> <li>• Distribution                             <ul style="list-style-type: none"> <li>- Auto parts</li> <li>- Electronics</li> <li>- CPG</li> <li>- Health care</li> </ul> </li> <li>• Asset-intensive                             <ul style="list-style-type: none"> <li>- Mining</li> <li>- Energy</li> <li>- Construction</li> <li>- Professional services</li> </ul> </li> </ul> |           |       |
|                            | Strong/growing market and could close the gap    | <ul style="list-style-type: none"> <li>• Manufacturing                             <ul style="list-style-type: none"> <li>- Electronics</li> </ul> </li> <li>• Distribution                             <ul style="list-style-type: none"> <li>- Transportation/warehousing</li> <li>- Wholesale trade</li> <li>- Communications</li> </ul> </li> <li>• Asset-intensive                             <ul style="list-style-type: none"> <li>- Real estate</li> <li>- Telecommunications</li> </ul> </li> <li>• Project-oriented/KM                             <ul style="list-style-type: none"> <li>- Defense contractors</li> </ul> </li> </ul>   |           |       |
|                            | Weakness for JDE/ too difficult to close the gap | <ul style="list-style-type: none"> <li>• Manufacturing                             <ul style="list-style-type: none"> <li>- Aerospace</li> <li>- Apparel</li> <li>- Textiles</li> </ul> </li> <li>• Asset-intensive                             <ul style="list-style-type: none"> <li>- Auto/transportation</li> </ul> </li> <li>• Distribution                             <ul style="list-style-type: none"> <li>- Public services</li> </ul> </li> <li>• Project-oriented/KM                             <ul style="list-style-type: none"> <li>- Education</li> <li>- Electronics</li> <li>- Health services</li> <li>- Information providers</li> <li>- Medical devices</li> <li>- Pharma/biotech</li> </ul> </li> </ul>  |           |       |
|                            |  | \$0-500M  | \$500M-3B | >\$3B |
| Company size – revenues    |  |   |           |       |

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## **MARKETING IMPLICATIONS**

**As competitors are aggressively targeting JD Edwards "sweet spot", JD Edwards must create a compelling marketing plan targeted at these segment verticals**

- ① JD Edwards must understand the needs of each segment and vertical and develop a compelling value proposition to attract them
- ② JD Edwards must create appropriately priced product and service bundles to cater to each target segment and vertical
- ③ JD Edwards must translate this into an actionable marketing plan to realize the revenue potential in target segments





☐ JDE target vertical

## TOP TIER COMPETITORS ARE TARGETING JD EDWARDS' "SWEET SPOT" WITH TAILORED MARKETING PLANS

| Competitor | 1999 ERP revenues in mid-market* Percent | Target business segments and verticals  | Mid-market buying behavior   |  |   |
|------------|--|---|--|--|---|
|            |  |   | Functionality fit  | Integrated offering  | Low cost solutions  |
| SAP        | 53                                       | <ul style="list-style-type: none"> <li>All 4 core business segments, especially strong in               <ul style="list-style-type: none"> <li>Pharma/biotech</li> <li>Energy</li> <li>Electronics</li> <li>Auto/transportation</li> <li>CPG</li> <li>Chemicals</li> <li>Health care</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>Preconfigured, industry-specific solutions in more than 50 verticals</li> </ul>                                       | <ul style="list-style-type: none"> <li>Fast Trak ERP – rapidly implemented, preconfigured solutions in ERP, SCM, procurement, and CRM</li> </ul>   | <ul style="list-style-type: none"> <li>Fixed price packages for software and services designed for mid-market</li> <li>Promote 40% lower cost and 30% less integration time than traditional solutions</li> <li>Delivery through a network of business partners and hosted solutions</li> </ul> |
| Oracle     | 60                                       | <ul style="list-style-type: none"> <li>Manufacturers, distributors, asset-intensives, retail, and public sector, especially strong in               <ul style="list-style-type: none"> <li>Energy</li> <li>Chemicals</li> <li>Electronics</li> <li>CPG</li> <li>Telecommunications</li> <li>Defense contractors</li> <li>Aerospace</li> <li>Utilities</li> <li>Education</li> <li>Financial services</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Software solutions designed for mid-market, including ERP, procurement, CRM, and SCM</li> </ul>                       | <ul style="list-style-type: none"> <li>Fast Forward solution provides bundled solution including software (ERP, SCM, CRM, and procurement), consulting, training, and maintenance</li> </ul>   | <ul style="list-style-type: none"> <li>Fast Forward solution model offers fixed-time, fixed-price solutions</li> </ul>  |
| PeopleSoft | 55                                       | <ul style="list-style-type: none"> <li>Project-oriented/KM, public sector, manufacturers, and distributors, especially strong in               <ul style="list-style-type: none"> <li>Pharma/biotech</li> <li>Auto/transportation</li> <li>CPG</li> <li>Telecommunications</li> <li>Health care</li> <li>Utilities</li> <li>Financial services</li> <li>Education</li> </ul> </li> </ul>                                    | <ul style="list-style-type: none"> <li>Full suite of software solutions for core verticals, including financials, HRMS, CRM, SCM, and procurement</li> </ul> | <ul style="list-style-type: none"> <li>Accelerated Solutions designed specifically for companies between \$100 million-500 million in revenues, including software (ERM, SCM, CRM, and procurement), consulting, training, and maintenance</li> <li>Preconfigured, package including hardware, software, operating system, and database</li> </ul> | <ul style="list-style-type: none"> <li>Fixed-price solutions for companies between \$100 million-500 million</li> </ul>   |

\* Mid-market defined as \$30 million-1 billion

# JD EDWARDS SHOULD UNDERSTAND SEGMENT/VERTICAL NEEDS TO CRAFT A COMPELLING VALUE PROPOSITION

| Mid-market buying behavior   |  |  | Potential value proposition to segment/vertical  |
|--|--|--|--|
| 1. Feature/functionality fit   | 2. Integrated offering   | 3. Low cost solutions  |  |
| <div style="border: 1px solid black; padding: 5px; width: fit-content;"> <b>General manufacturer's value proposition</b> </div> <ul style="list-style-type: none"> <li>• Primary needs                             <ul style="list-style-type: none"> <li>- Demand planning/manufacturing</li> </ul> </li> <li>• Secondary needs                             <ul style="list-style-type: none"> <li>- Procurement</li> <li>- Transportation management</li> <li>- Warehouse management</li> <li>- Business analysis</li> </ul> </li> </ul>   | <ul style="list-style-type: none"> <li>• Data must flow seamlessly between modules within ERP and other relevant modules</li> <li>• Preference that products are developed by JDE or offer a seamless integration to own products</li> </ul> | <ul style="list-style-type: none"> <li>• Total cost of ownership is competitive</li> <li>• Risk reduction through fixed price contracts</li> </ul> | <p style="text-align: center;">  <br/>                     "JD Edwards is the leading provider of manufacturing software offering a low-cost, low-risk integrated solution"                 </p> <p style="text-align: center;">  <br/>                     "JD Edwards knows the needs of mid-market CPG manufacturers better than any other ERP vendors"                 </p> |
| <div style="border: 1px solid black; padding: 5px; width: fit-content;"> <b>Specific vertical value proposition (CPG manufacturers)</b> </div> <ul style="list-style-type: none"> <li>• Primary needs – manufacturing                             <ul style="list-style-type: none"> <li>- New product design/development</li> <li>- Material production planning/scheduling</li> <li>- Discrete production (some process production)</li> </ul> </li> <li>• Secondary need – CRM                             <ul style="list-style-type: none"> <li>- Sales force automation</li> <li>- Marketing automation</li> </ul> </li> </ul> | <p>← Should not vary significantly by vertical →</p>   |  |  |

# JD EDWARDS SHOULD CREATE APROPRIATELY PRICED PRODUCT AND SERVICE BUNDLES

EXAMPLE

| Modules   | Manufacturing  | Distribution | Asset-intensive | Project-oriented/<br>Knowledge mgmt. | Public Sector | Fixed price        | Per concurrent user |
|---|--|--------------|-----------------|--------------------------------------|---------------|--------------------|---------------------|
| <ul style="list-style-type: none"> <li>Financials</li> <li>Basic HR</li> <li>Payroll</li> </ul>   | [REDACTED]   |              |                 |                                      |               |                    |                     |
| <ul style="list-style-type: none"> <li>Manufacturing</li> <li>MRP/DRP</li> <li>Production Sched Process</li> <li>Demand Planning</li> <li>Demand Collaboration</li> <li>Core distribution</li> <li>Warehouse Management</li> <li>Transportation Management</li> </ul> |  |              |                 |                                      |               |                    |                     |
| <ul style="list-style-type: none"> <li>Property Management</li> <li>Enterprise Asset Mgmt.</li> </ul>   |  |              |                 |                                      |               |                    |                     |
| <ul style="list-style-type: none"> <li>Project Management</li> <li>Knowledge Management</li> </ul>  |  |              |                 |                                      |               |                    |                     |
| Potential industry tailoring  | CPG: (SFA, MA, New Product Design, Discrete production, etc.)    |              |                 |                                      |               |                    |                     |
| Consulting Services   | Fixed Price Consulting one potential service line for mid-market |              |                 |                                      |               | ← <u>Solutions</u> |                     |
| Training and Maintenance  | Configure to Order Training                                      |              |                 |                                      |               |                    |                     |

*Where Time to Solution*

JDEC-01-030458

# JD EDWARDS SHOULD TRANSLATE THIS INTO AN ACTIONABLE MARKETING PLAN

EXAMPLE

## Customer adoption life cycle – CPG manufacturing

|                          | Step 1 – generate awareness/interest  | Step 2 – drive initial purchase   | Step 3 – drive repeat purchase  |
|--------------------------|---|---|---|
| <b>Target audience</b>   | <ul style="list-style-type: none"> <li>All key influencers/ decision makers, including CEO level</li> </ul>   | <ul style="list-style-type: none"> <li>Primary – CTO/CIO</li> <li>Secondary – CFO, other business heads</li> </ul>  | <ul style="list-style-type: none"> <li>Primary – CTO/CIO</li> <li>Secondary – CFO, other business heads</li> </ul>  |
| <b>Marketing message</b> | <ul style="list-style-type: none"> <li>JD Edwards has a credible, proven history with CPG manufacturers</li> </ul>  | <ul style="list-style-type: none"> <li>JD Edwards can meet your specific feature/functionality requirements with a low cost, low risk integrated solution</li> </ul>      | <ul style="list-style-type: none"> <li>JD Edwards can seamlessly integrate additional functionality into your current ERP systems</li> </ul>                        |
| <b>Marketing vehicle</b> | <ul style="list-style-type: none"> <li>Trade shows</li> <li>Industry seminars/ conferences</li> <li>Advertising through publications, Internet, etc.</li> <li>Sales collateral</li> <li>Special interest groups</li> <li>Direct mail</li> </ul> | <ul style="list-style-type: none"> <li>Canned demos for unique CPG manufacturing needs</li> <li>Credible reference clients (e.g., 3 leading CPG manufacturers)</li> </ul> | <ul style="list-style-type: none"> <li>Same as awareness vehicles plus</li> <li>Targeted collateral</li> <li>Targeted sales calls</li> <li>Telemarketing</li> </ul> |

JDEC-01-030459

## SUMMARY OF TODAY'S DISCUSSION

- In our last discussion, we recommended that JD Edwards aggressively focus on their historical core mid-market business segments to become a \$2.5 billion-4.5 billion company by 2005
- To reach this target, JD Edwards should further focus within the core, create a compelling marketing plan, and reallocate and improve productivity of resources
  - JD Edwards should further focus on "sweet spot" accounts in specific business segments/verticals within the \$500 million-3 billion range to focus JD Edwards' constrained resource pool
  - JD Edwards should then create a compelling marketing plan targeted at these verticals, including value propositions, product and service bundles, and appropriate marketing vehicles
  - JD Edwards should then use these marketing programs to reallocate sales, product development and consulting resources to align against the opportunity, as well as improve productivity to achieve a competitive cost structure
- To execute this strategy, JD Edwards should develop detailed action plans and begin executing across marketing, product development, sales, and consulting

JDEC-01-030460

## SALES ORGANIZATION IMPLICATIONS

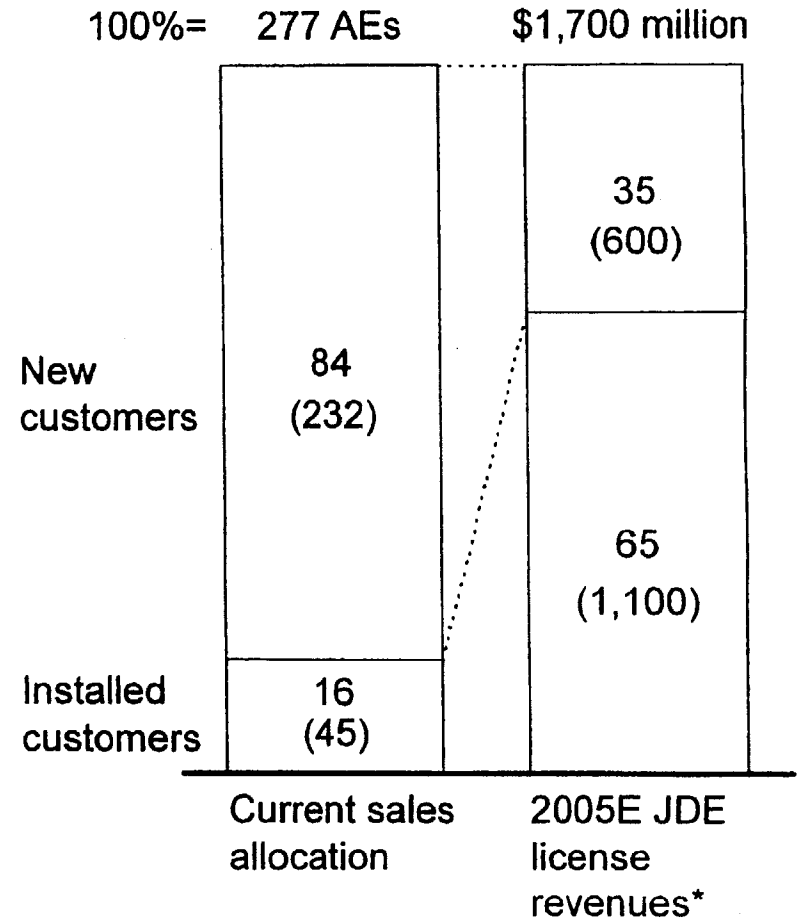
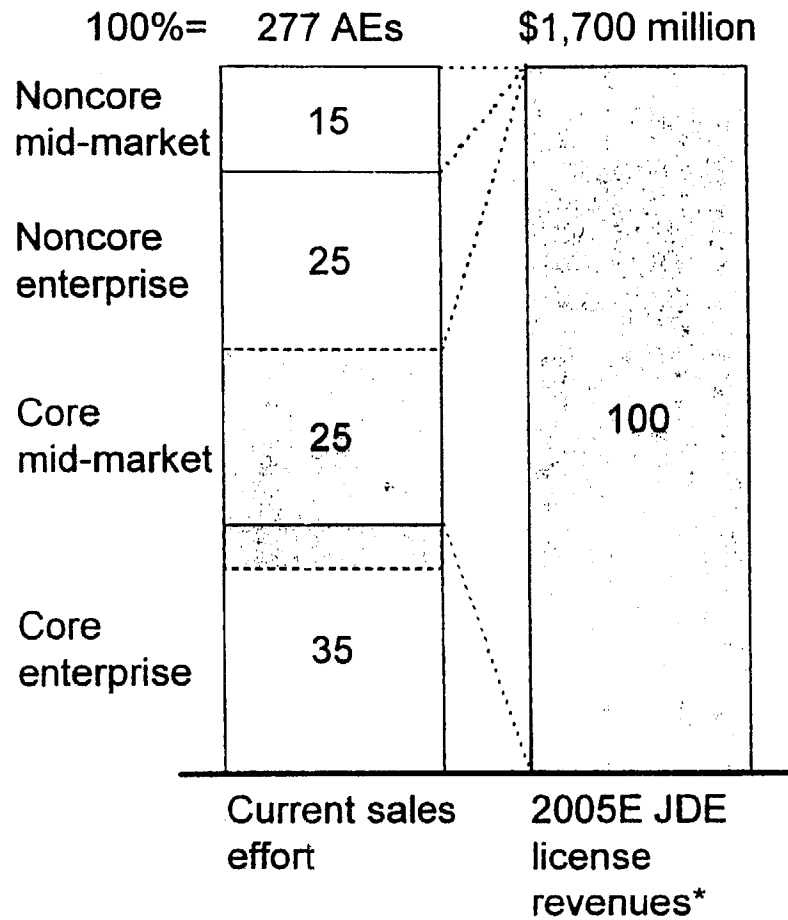
**JD Edwards should alter its coverage model to capture the opportunity in the "sweet spot", and implement measures to improve overall productivity**

- ① JD Edwards should focus and redeploy current AEs against opportunity in installed base and new "sweet spot" customers
- ② Independent of refocusing resources, JD Edwards should improve current productivity in-line with top-tier competitors
- ③ JD Edwards should determine appropriate sales model, as future needs to migrate into smaller companies emerge

*Inside Sales Model*

# JD EDWARDS SHOULD REALIGN SALES RESOURCES AGAINST THE NEW OPPORTUNITY

Percent, \$ Millions



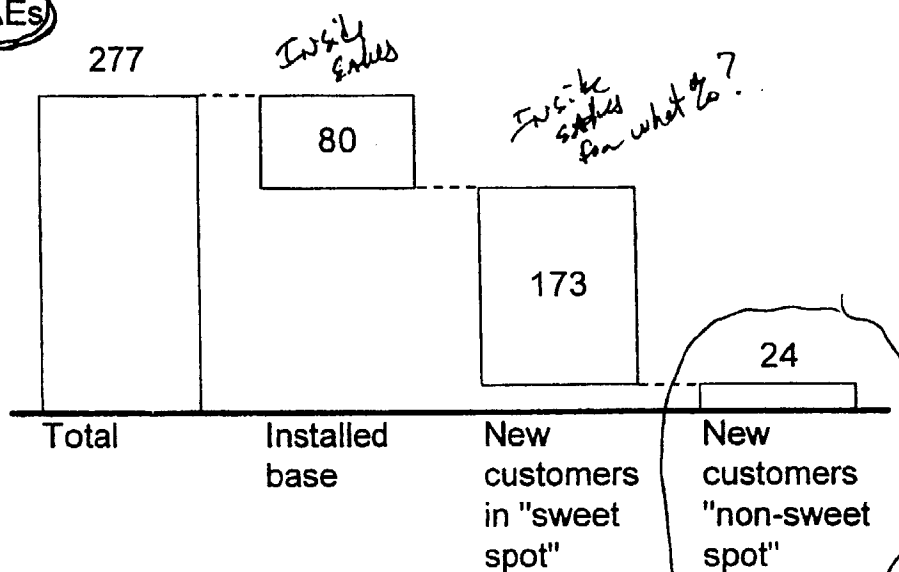
JDEC-01-030462

\* Assumes optimistic case scenario

# JD EDWARDS SHOULD ALLOCATE SALES RESOURCES FIRST TO CURRENT INSTALLED ACCOUNTS AND SECOND TO NEW ACCOUNTS IN THE SWEET SPOT

JD Edwards recommended sales allocation

Number **(AEs)**



|                         |       |        |       |
|-------------------------|-------|--------|-------|
| Total active accounts   | 9,550 | 4,000* | 4,319 |
| Average accounts per AE |       | 50     | 25    |

## Where should JD Edwards allocate additional resources?

- Focus additional resources on the sweet spot with companies <\$500 million
- Dedicated large account team
  - 10 AEs could cover 50 companies >\$3 billion
- Public sector\*\*
  - 10 AEs could cover 254 companies in "sweet spot"

*TODAY*  
~~12 AEs~~  
 41 Total.

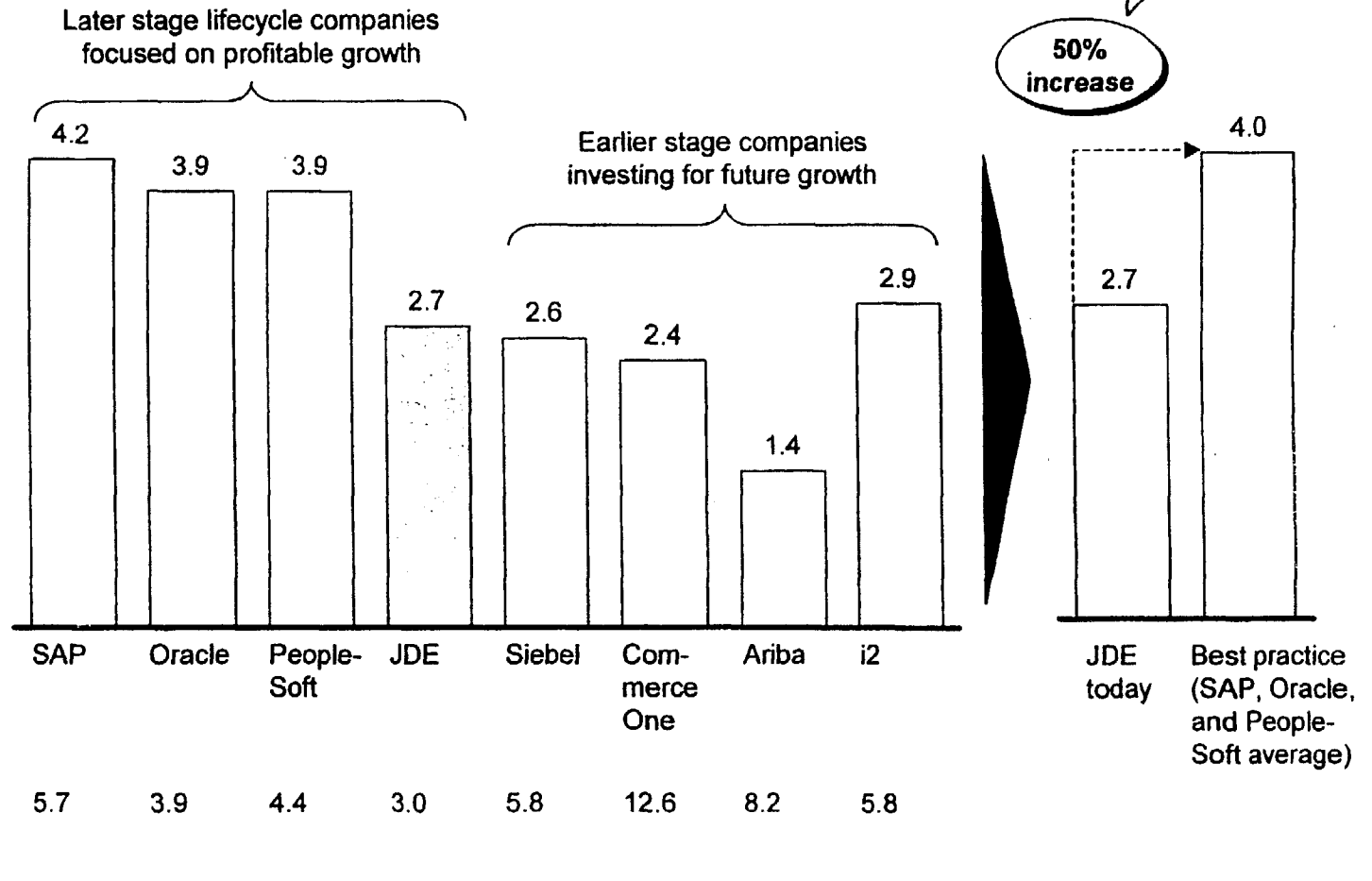
\* Estimated active accounts in JD Edwards installed base  
 \*\* Includes government, not-for-profit, and other public services  
 Source: D&B, McKinsey Analysis

JDDEC-01-030463



# JD EDWARDS SHOULD IMPROVE CURRENT PRODUCTIVITY IN LINE WITH COMPETITORS

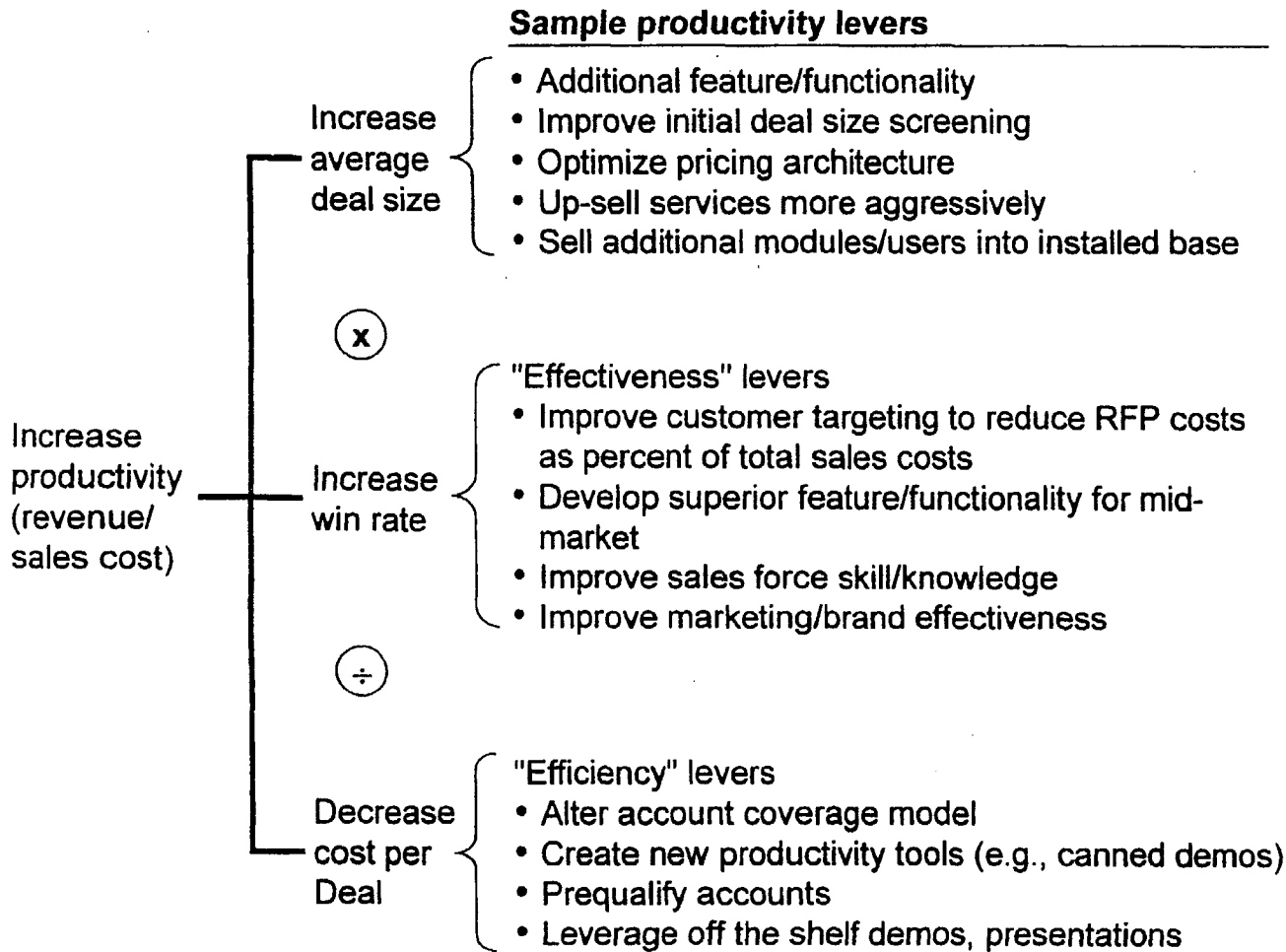
2000 total revenues/S&M costs



JDEC-01-030464

Source: Compustat

# THERE ARE A NUMBER OF LEVERS TO IMPROVE SALES PRODUCTIVITY

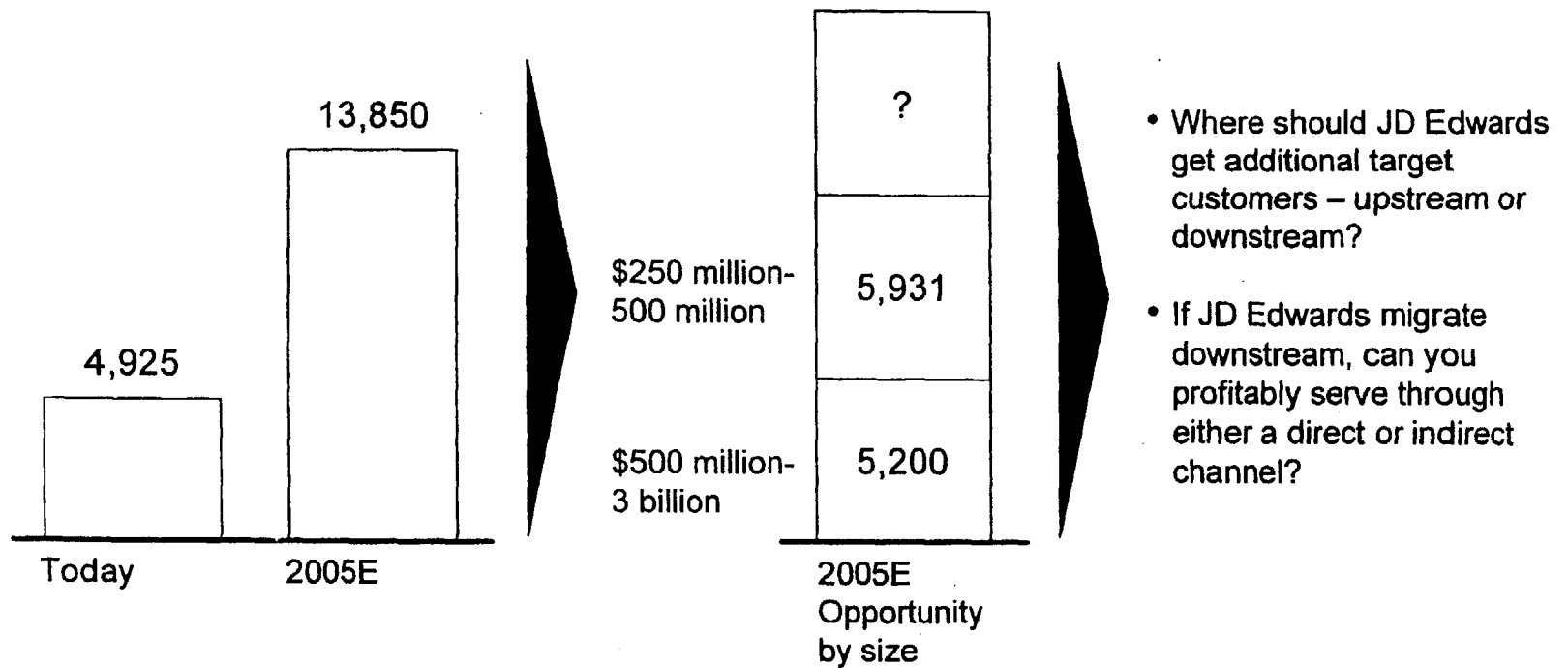


*Lead Gen/Processing*  
*Sales Outreach*  
*Sales Tools*  
*Demos at the end*

What is the optimum mix of those levers to raise overall productivity?

# JD EDWARDS SHOULD DETERMINE AN APPROPRIATE SALES MODEL, AS FUTURE NEEDS TO MIGRATES INTO THE LOWER-END EMERGE

Number of required new target companies to reach target



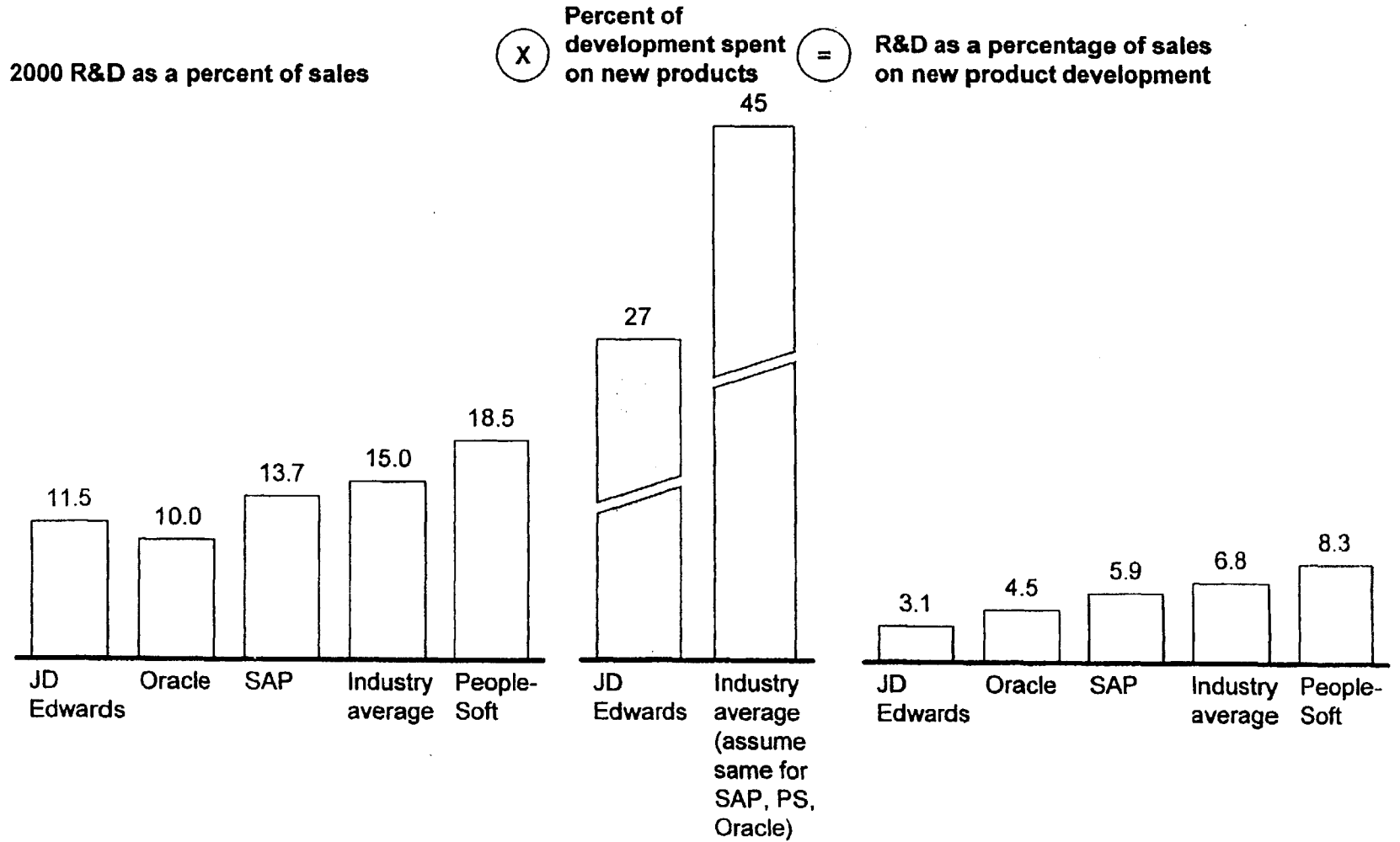
JDEC-01-030466

## PRODUCT DEVELOPMENT IMPLICATIONS

**JD Edwards is not currently spending enough on new product development to develop its future product pipeline and is potentially under-resourced. In order to solve this:**

- ① JD Edwards may need to hire additional product development engineers to close the gap
- ✓ ② JD Edwards should reallocate resources to focus on core mid-market business segment needs
- ③ JD Edwards should determine how to free up QA/maintenance resources

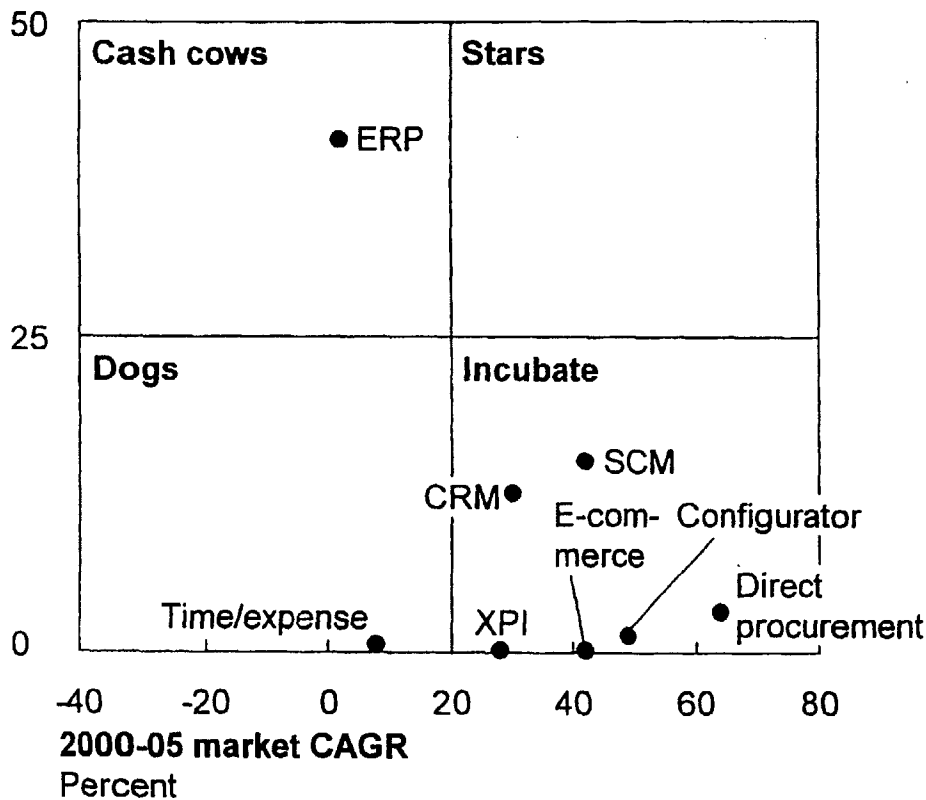
# JD EDWARDS IS CURRENTLY UNDER RESOURCED VS. COMPETITORS AND IS NOT INVESTING ENOUGH IN NEW PRODUCT DEVELOPMENT



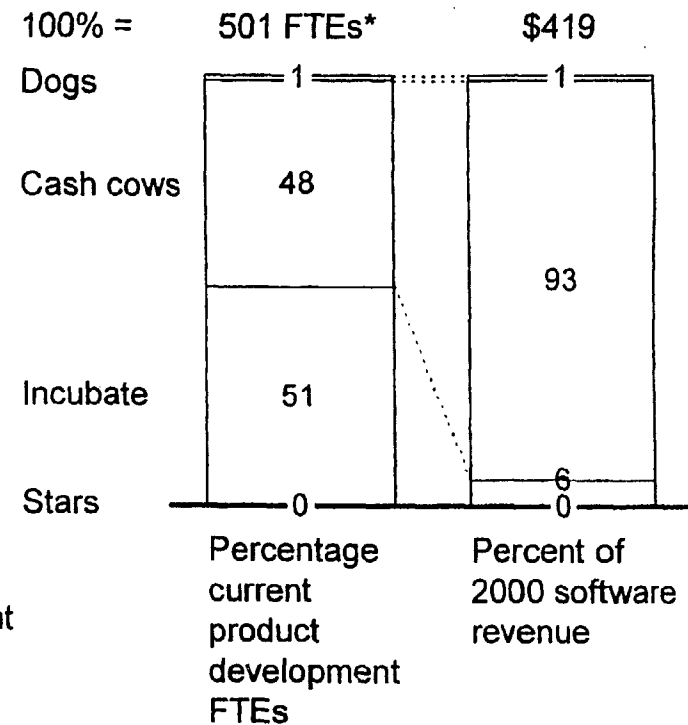
JDEC-01-030468

# JD EDWARDS NEEDS TO EMPHASIZE NEW PRODUCT DEVELOPMENT GIVEN THE CURRENT STATE OF THE PORTFOLIO

**JDE 2000 software revenues**  
Percent of total sales



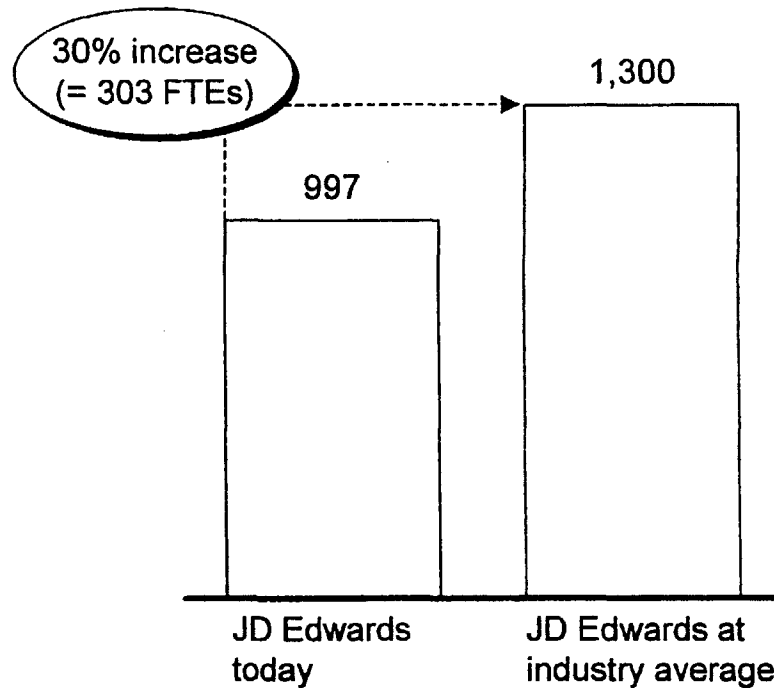
**Current development resources and revenue**  
\$ Million; FTEs



JDEC-01-030469

\* Does not include QA/maintenance/documentation resources  
Source: AMR 2000; internal data; McKinsey analysis

# JD EDWARDS MAY HAVE TO INCREASE THE NUMBER OF PRODUCT DEVELOPMENT ENGINEERS



- Should JD Edwards hire more engineers in the short term?
  - How can additional capital be sourced to do this?

JDDEC-01-030470

| R&D as percent of sales* | JD Edwards today | JD Edwards at industry average |
|--------------------------|------------------|--------------------------------|
|                          | 11.5             | 15                             |

\* Does not include 60 education resources  
 Source: Compustat, JD Edwards Internal Data

# STOPPING AND/OR REFOCUSING PROJECTS THAT ARE AIMED TOWARD NONCORE SEGMENTS WOULD FREE UP AN ADDITIONAL 76 FTES

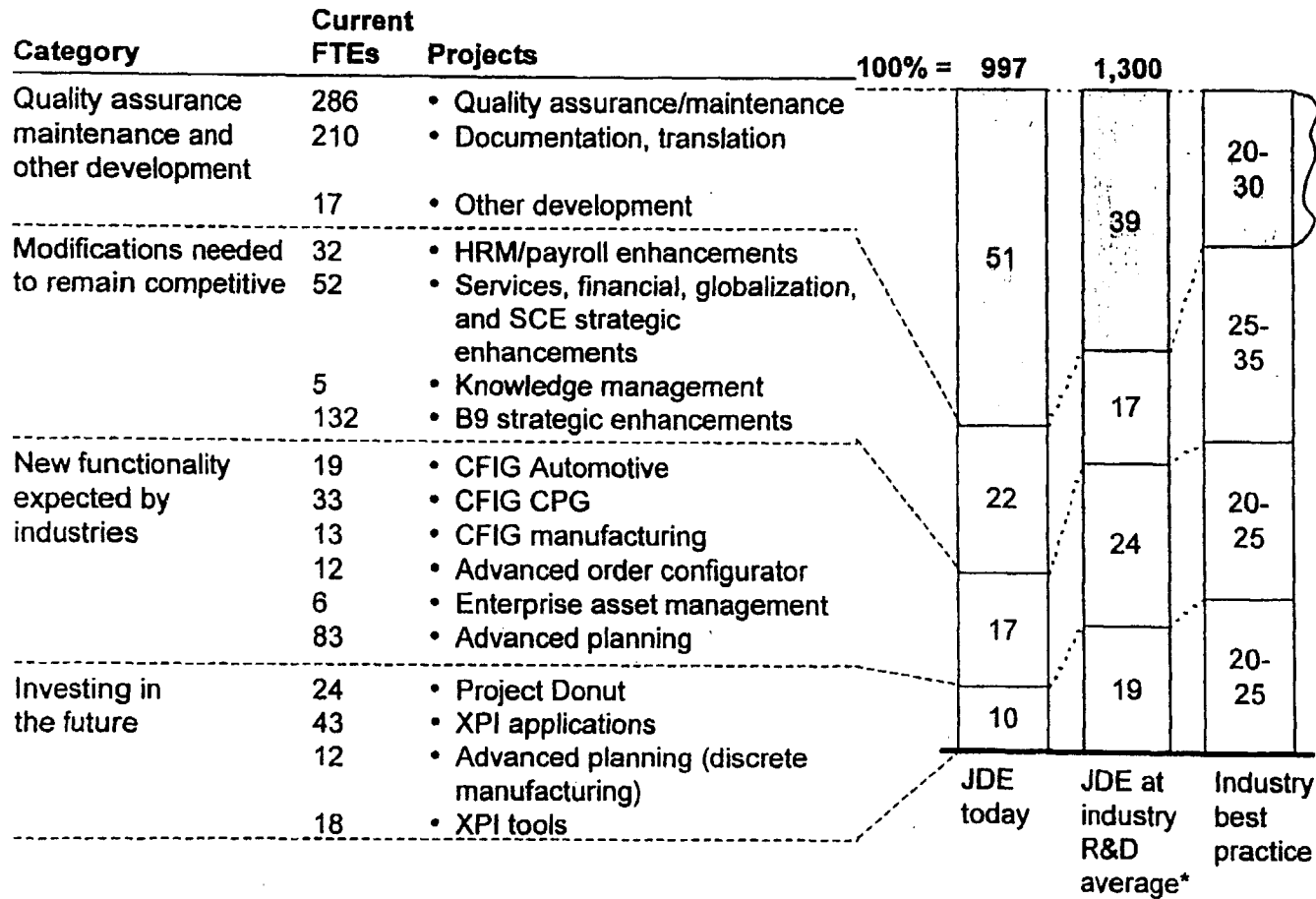
*Productivity  
→ Contractual  
Commitments.*

|   | Rationale   | Recommended actions/number of FTES   | Number of FTES gained |
|---|---|--|-----------------------|
| <b>Stop or move into maintenance mode</b>                       | Projects are outside core mid-market business segments and/or are commoditized for core markets                       | <ul style="list-style-type: none"> <li>Eliminate Advanced Order Configurator (12)<br/><i>↳ High EMP. ?</i><br/><i>↳ IS Integration Done?</i></li> </ul>  | 12                    |
| <b>Redeploy portion of resources to new product development</b> | Resources could be utilized more efficiently in other higher value areas  | <ul style="list-style-type: none"> <li>Outsource B9 strategic enhancement tools and redeploy 25% of resources (33 out of 132)</li> <li>Redeploy 50% of cross-industry applications (non-international component) (31 out of 62)</li> <li>Donut (24) – do you need best 24 people on Donut?</li> <li>Advanced Planning (95) – do you need 95 FTES to develop a streamlined version of APS?</li> </ul> | 64<br><i>Unicode</i>  |
| <b>Refocus the project</b>                                      | Project is currently targeting large enterprise; refocus efforts to develop functionality that meets mid-market needs | <ul style="list-style-type: none"> <li>Refocus advanced Planning (95)/Supply Chain Execution (13)</li> <li>Refocus XPI applications (42)</li> <li>Refocus Donut (24)</li> </ul>  | 0                     |

JDEC-01-030471



# JD EDWARDS SHOULD DETERMINE HOW TO FREE UP QA/MAINTENANCE RESOURCES



*Best Practice*

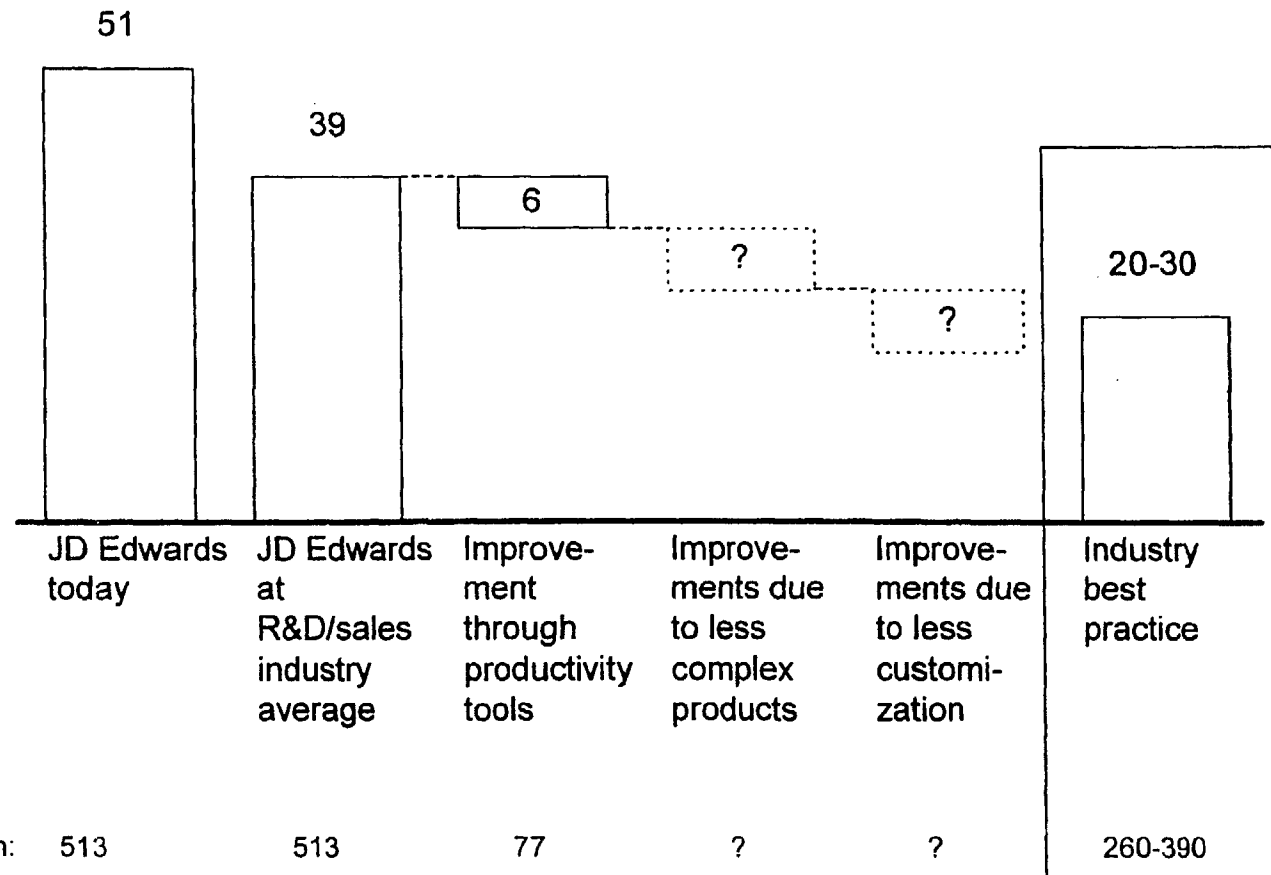
How can JD Edwards reduce the 500 QA resources to the best-practice of 20-30% of R&D?

JDEC-01-030472

\* Reallocated new resources to new product development  
 Source: McKinsey analysis; JD Edwards internal data/interviews

# JD EDWARDS SHOULD DETERMINE HOW TO FREE UP QA/MAINTENANCE RESOURCES WHILE MEETING QUALITY DEMANDS

Percent of Developers dedicated to QA/documentation



FTEs on QA/  
Maintenance,  
documentation:

513

513

77

?

?

260-390

JDDEC-01-030473

Source: JD Edwards internal data;McKinsey analysis

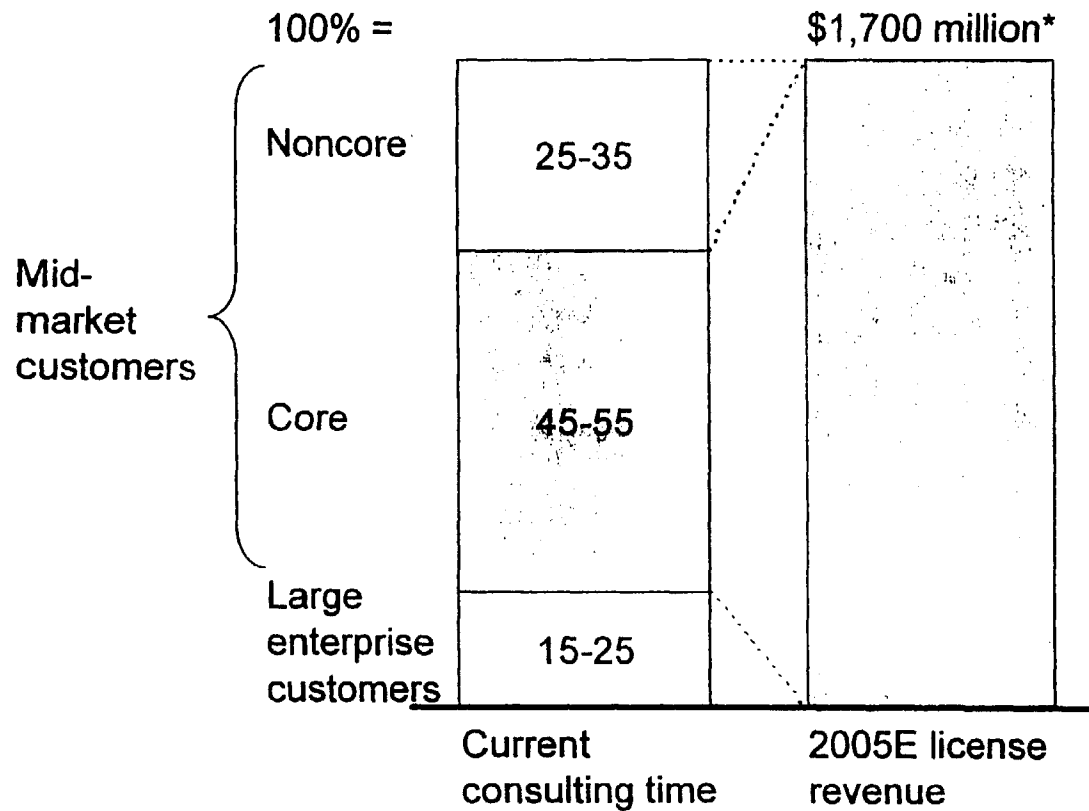
## CONSULTING IMPLICATIONS

**To capture the opportunity in the core mid-market segments, JD Edwards should realign and retrain resources in the short term, while ultimately improving productivity**

- ① JD Edwards should realign resources against the mid-market opportunity as the sales force pulls demand
- ② JD Edwards should retrain current consulting resources to meet "sweet spot" consulting needs
- ③ JD Edwards should improve productivity, potentially through realization, utilization, and price levers

# AS JD EDWARDS REFOCUSES ON THE SWEET SPOT, CONSULTING REALIGNMENT WILL FOLLOW NATURALLY

## Consulting time allocation



\* Assumes optimistic scenario

Source: JD Edwards interviews; McKinsey analysis

JDEC-01-030475

# CONSULTING WILL NEED NEW SKILLS TO EFFECTIVELY SERVE SWEET SPOT SEGMENTS

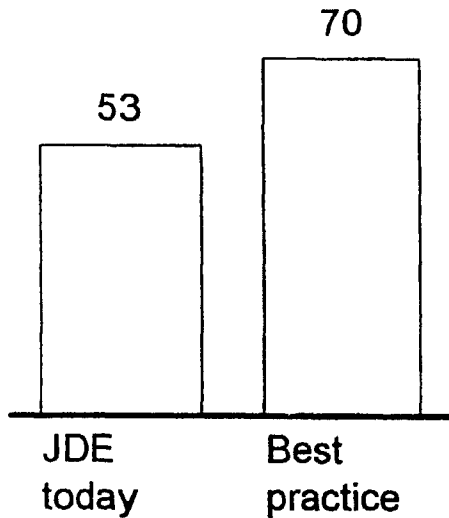
| Mid-market need  | Explanation   | Current JDE performance   | Competitor performance   |
|--|---|---|--|
| <p><b>Targeted vertical expertise/ understanding</b></p> | <ul style="list-style-type: none"> <li>Understanding of targeted "sweet spot" business needs is critical to successful mid-market offering</li> </ul> <p><i>Solution Kits</i></p>   | <ul style="list-style-type: none"> <li>JDE consultants/managers have sound experience with "sweet spot" verticals, with strongest presence in                             <ul style="list-style-type: none"> <li>– Manufacturing</li> <li>– Distribution</li> </ul> </li> <li>Managers often do not know JDE product well enough to manage high-quality installation</li> </ul> | <ul style="list-style-type: none"> <li>Customers do not cite any competitors they prefer over JDE</li> </ul>   |
| <p><b>Cross-trained technical skill</b></p>              | <ul style="list-style-type: none"> <li>Application consultants should be cross-trained in multiple applications to limit cost and number of consultants</li> <li>Technical programmers should be deeply experienced in IT architecture design so solutions can be developed by single resource</li> </ul> | <ul style="list-style-type: none"> <li>Applications consultants are generally trained in 1 application</li> <li>Technical consultant skill also not broad enough for single resource</li> </ul>   | <ul style="list-style-type: none"> <li>Skill sets are fragmented across software vendors, big 5, and local service providers</li> </ul>  |
| <p><b>Project management</b></p>                         | <ul style="list-style-type: none"> <li>Potential need for fixed price contract increases importance of strong project management</li> </ul>   | <ul style="list-style-type: none"> <li>Project manager is not as skilled as needed on managing scope, costs, and technical challenge</li> </ul>   | <ul style="list-style-type: none"> <li>While SAP and Oracle have adequate project management skills, the management layer is often too large and expensive</li> <li>Big 5 have strong project management skills across technical and nontechnical dimensions but customer prefers vendor management</li> </ul> |

JDEC-01-030476

# JD EDWARDS SHOULD ALSO IMPROVE CONSULTING PRODUCTIVITY

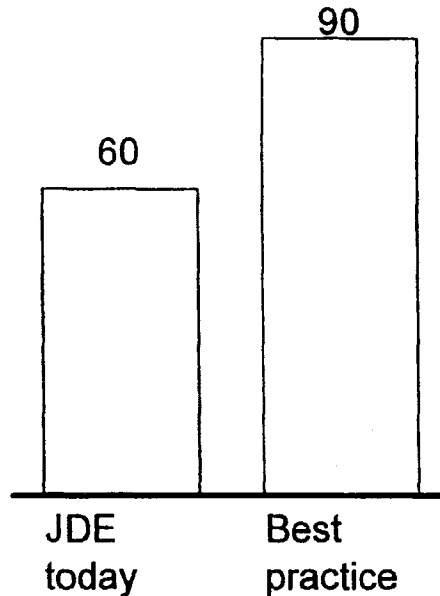
*65% Break Even*

**Utilization  
Percent**



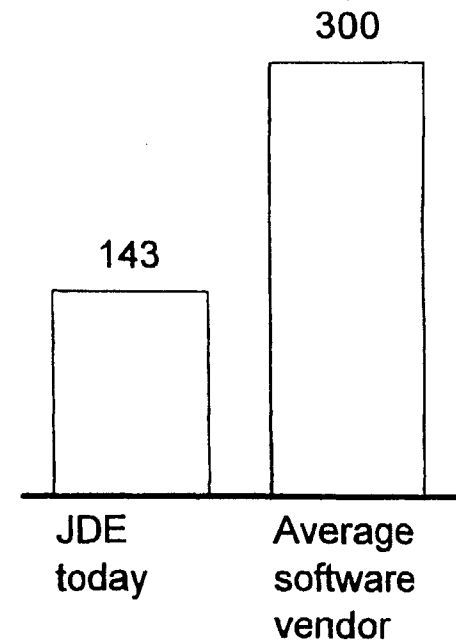
**Realization  
Percent**

*Collection  
Billing*



**Total productivity  
(consulting revenues  
per consulting FTE)  
\$ Thousands**

*Big 5 - \$175*



JDEC-01-030477

Source: JD Edwards financials; McKinsey best practices

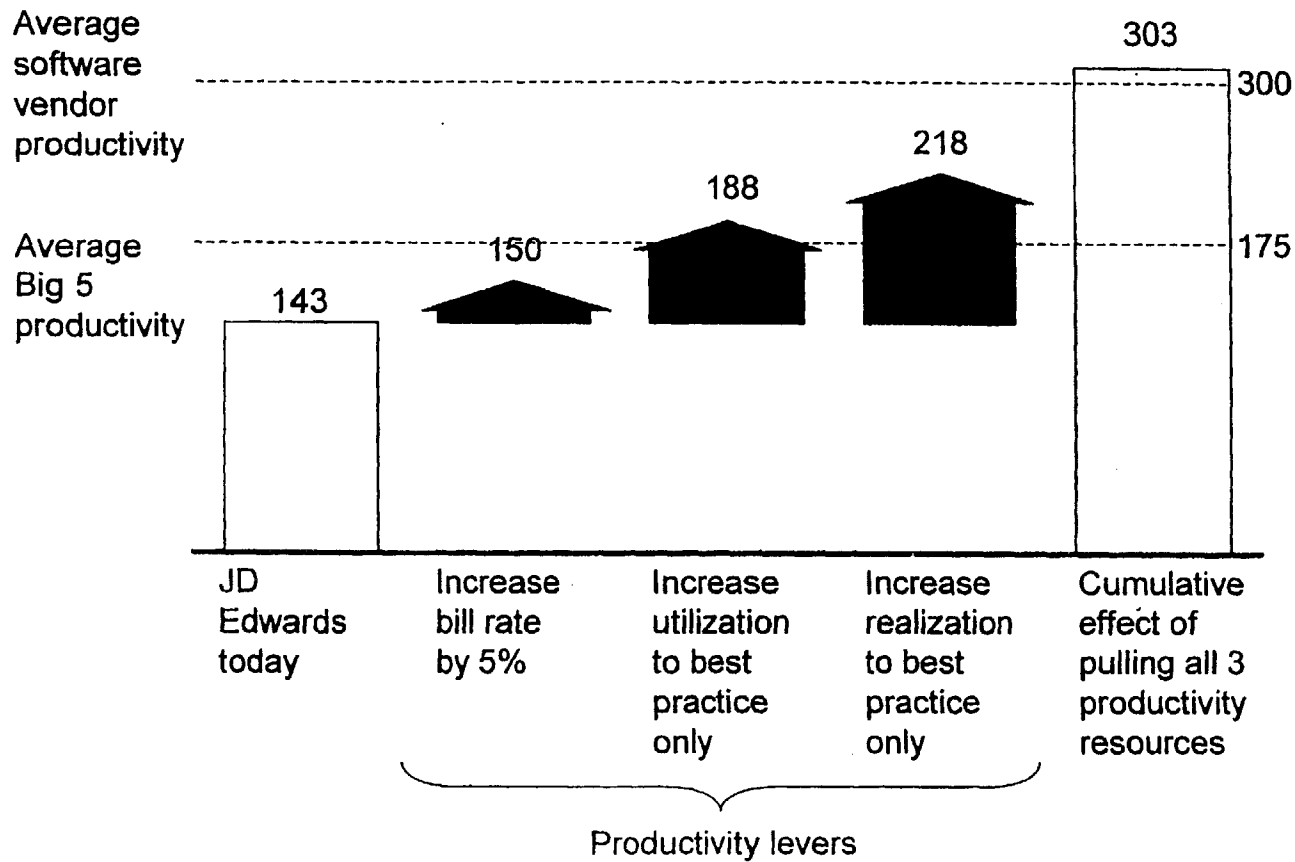
*Total = Util \* Realization*

# PRODUCTIVITY CAN BE INCREASED BY PULLING ANY OF 3 LEVERS

Consulting productivity

\$ Thousands per billable FTE

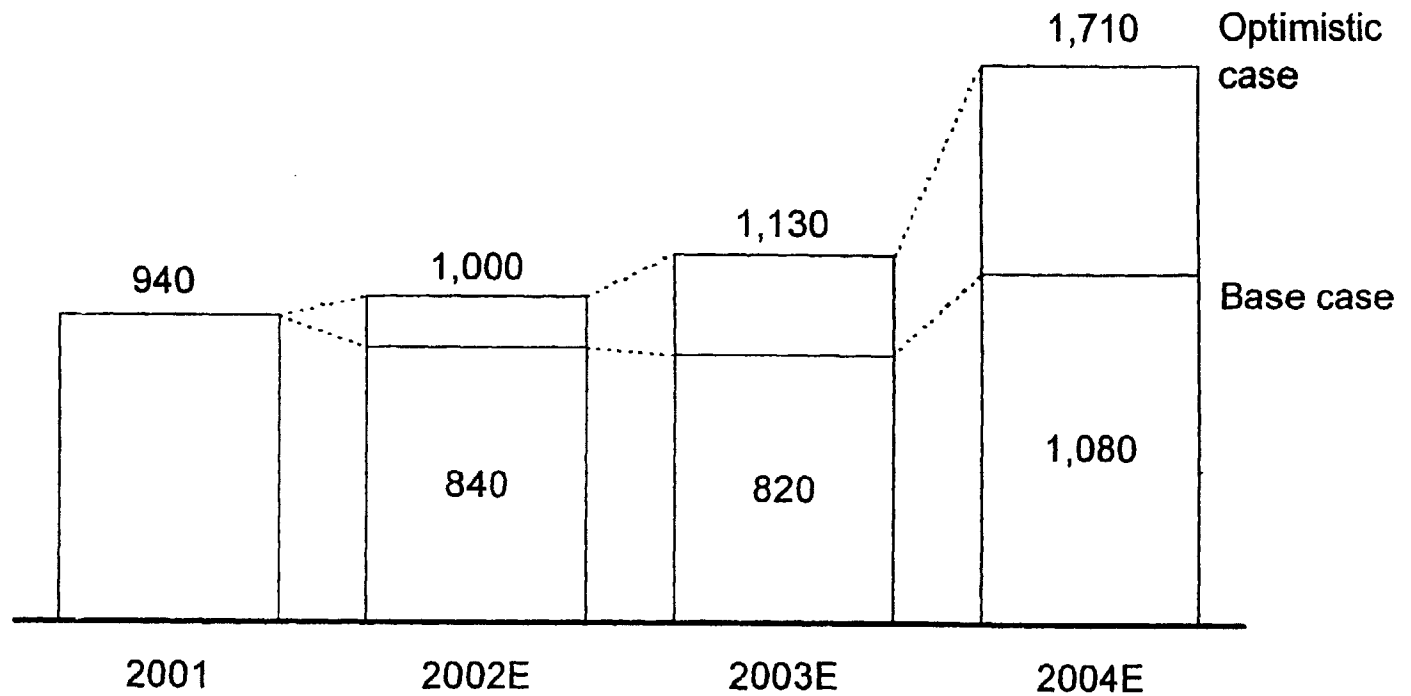
*300 Client  
Mgn's.  
Avg 30% Billable.*



JDEC-01-030478

# IF PRODUCTIVITY IS IMPROVED, FEWER RESOURCES THAN TODAY MAY BE NEEDED

Consulting FTEs



|                     | 2001 | 2002E | 2003E | 2004E |
|---------------------|------|-------|-------|-------|
| <b>Utilization*</b> | 53   | 62    | 70    | 70    |
| <b>Realization*</b> | 60   | 75    | 90    | 90    |

\* Assumes migrate to best practice by 2003  
 Source: McKinsey analysis

JDEC-01-030479

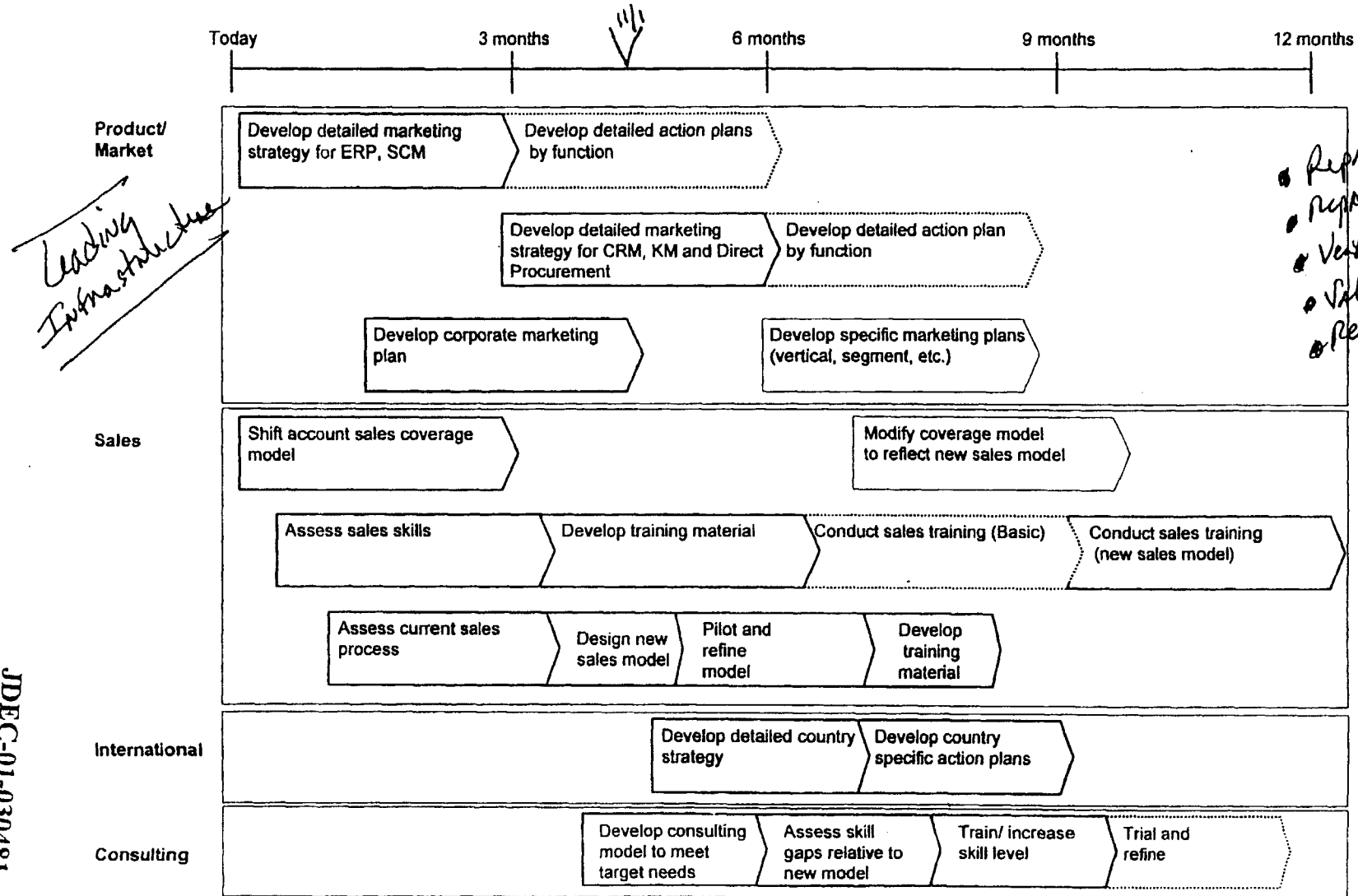


## SUMMARY OF TODAY'S DISCUSSION

- In our last discussion, we recommended that JD Edwards aggressively focus on their historical core mid-market business segments to become a \$2.5 billion-4.5 billion company by 2005
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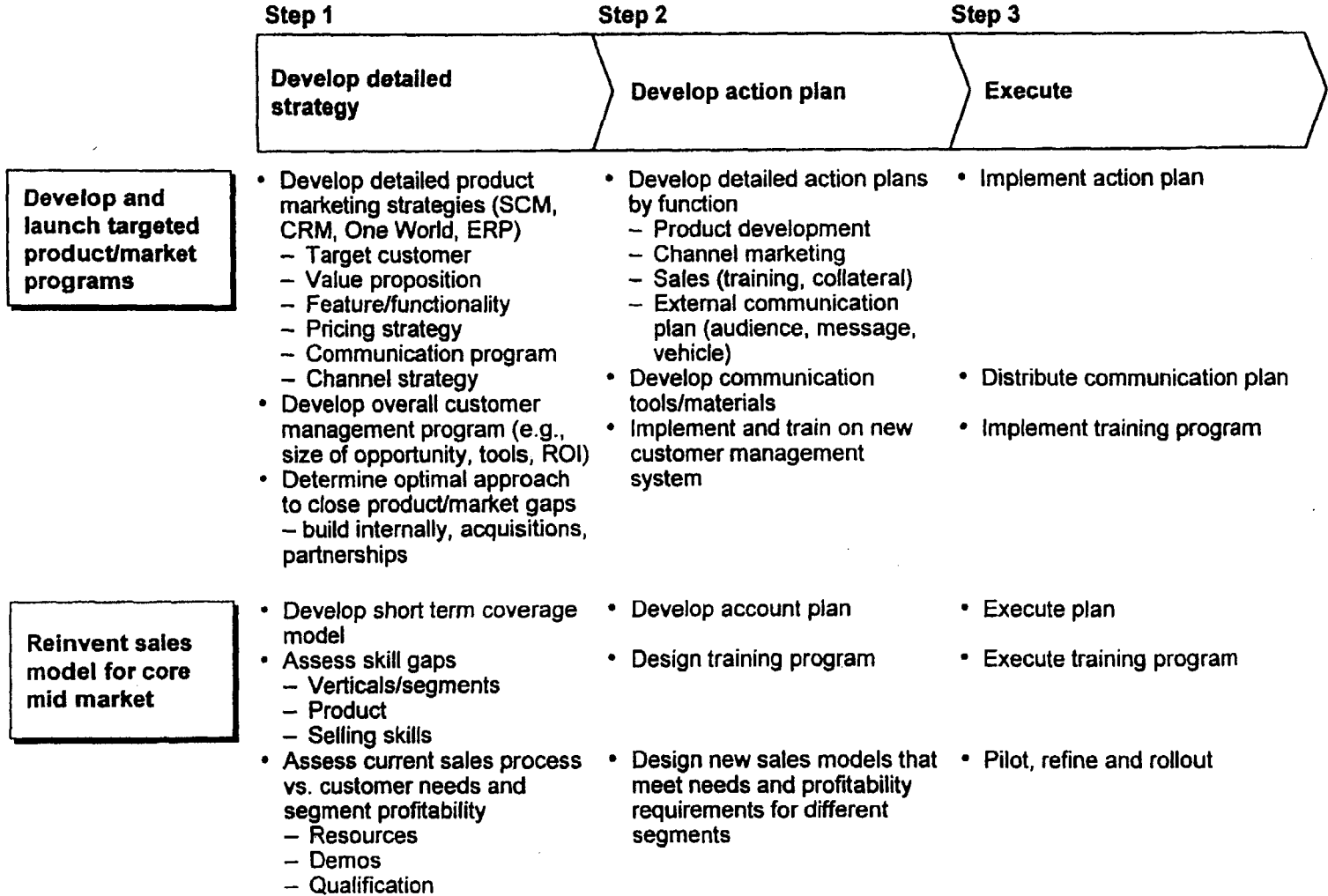
**• To execute this strategy, JD Edwards should develop detailed action plans and begin executing across marketing, product development, sales, and consulting**

# JD EDWARDS MUST EXECUTE TARGETED INITIATIVES TO CAPTURE THE OPPORTUNITY IN CORE SEGMENTS



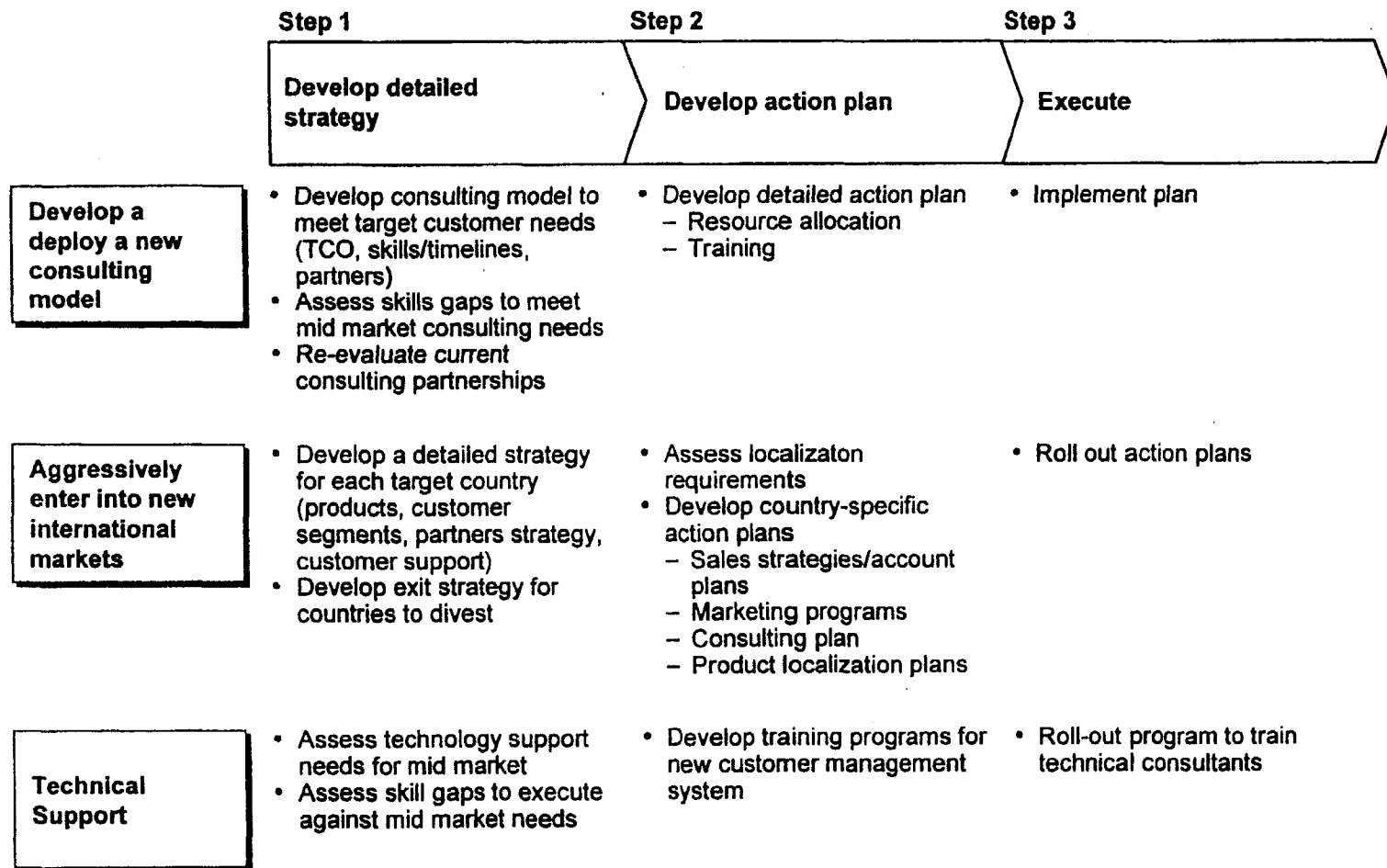
JDEC-01-030481

# JD EDWARDS MUST EXECUTE TARGETED INITIATIVES TO CAPTURE THE OPPORTUNITY



JDEC-01-030482

## JD EDWARDS MUST EXECUTE TARGETED INITIATIVES TO CAPTURE THE OPPORTUNITY (CONTINUED)



JDEC-01-030483