NETWORK COMPUTING BUSINESS PLAN

OVERVIEW

Since the historic involvement of CHA Communications, TIS Ltd and TIS Computer Maintenance with early Coax based Ethernet LANs, MiSYS has steadily fallen behind the cutting edge of design trends within the network computing industry. This failure to keep abreast of recent developments in distributed processing disciplines, such as the Enterprise Network Operating Systems available from organisations like Banyan and Novell, has ultimately led to the present situation where MiSYS do not truly offer 'one-stop shop' IT solutions to the customer. In the face of strong competition that almost universally provide these now firmly established, often demanded technologies, it would seem timely to evaluate a business move to regain lost ground.

The importance of the network can no longer be overlooked by any organisation with 'Service Provider' aspirations. The client-server approach to computing championed by the market leaders and the de-facto standardisation of TCP/IP for Unix platforms, has helped to fuel a real shift in awareness to the LAN.

The almost meteoric growth of network hardware vendors, that provide intelligent hubs to service the requirements of these LANs and growing stature of the network operating system houses, is indisputable evidence of the huge market that exists for companies with the abilities and wherewithal to embrace this new philosophy.

This Business Plan suggests a framework for MiSYS to make use of it's existing assets in this arena and to thereby accrue new revenue from network software/hardware sales and associated pull-through services.

It is understood that Misys Communications currently provide some of these services but the rationalisation required to assimilate TIS Ltd platform sales, Misys Comms network sales/services and MCM services into a seamless entity has historically resulted in impasse. The successful application of this plan could not only strengthen the individual companies' positions but would also be very likely to bridge inter-company gaps and promote the Misys Computer Services Division as a whole (TIS proposals would appear in much more favourable light if they were to include a state of the art LAN from Misys Comms and BS5750 maintenance from MCM).

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MARKET

Making a case for the existence of a thriving market for intelligent networks, is probably the simplest task that this plan needs to address. The heavy involvement of literally all the major players in the network hardware manufacturers arena (including Synoptics, 3Com, Chipcom, Cabletron etc.) speaks volumes in itself. Add to that industry wide adoption of the AT&T Systimax cabling standard (even by British Telecom! under the guise of OSCAR) and the phenomenal growth of network equipment vendors (such as Madge, Jaguar, Data Translation and Logical Networks) and the picture is clear.

If further evidence were required, it is abundant in the computer and network press, as the attached extracts show. The IDC survey published in Network (Nov 93), showed that smart hubs produced over 15% annual growth in a European market worth $157 billion, with predicted repetition in following years. The Gartner Group survey taken from Datacom (Mar 92), estimated that total Ethernet and Token Ring shipments (both now focussing on smart hub connectivity) will increase from around 5 million in 1993 to 6 million this year and 7 million in 1995.

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SWOT ANALYSIS

Strengths/Opportunities

* MiSYS have established links with network hardware suppliers, via both Misys Comms and TIS, which would afford appropriate dealer discounts and product support.

* Misys Comms are fully warranted AT&T Systimax cabling installers and MCM support also possess a full set of AT&T Systimax documentation. Thus cross training could reasonably be kept to a minimum.

* Smart hubs have very high MTBF figures, are reasonably expensive and do not require lengthy fix times (no data restoration!): thus field maintenance is an attractive prospect.

* The Loudwater ground floor refurbishment has included the installation of AT&T Systimax structured cabling, which will allow connection of intelligent hubs in the future. This will make engineer training, product evaluation and customer visits far easier to achieve.

* TIS have already made preliminary attempts to forge alliances with NOS software houses, such as Novell (Netware) and Sphinx Level 5 (Banyan).

* The simple, punch down nature of the connections in the AT&T system makes cable repairs very simple. Taking this into account, along with the inherent excellent reliability, makes cable maintenance (even at very low rates) a viable new source of revenue for MCM.

* AT&T Systimax cabling supports Token Ring networks, as do supporting intelligent hubs. Movement into this arena will enhance MCM's position with regard to RS6000, as Token Ring has always been IBM's preference.

* MCM Field engineers have already gained some exposure to intelligent hubs, where customers have outsourced for their networks (e.g. Aquascutum, BDO Binder Hamlyn, AA Cheadle etc.).

Weaknesses/Threats

* The head start that other players have gained will require extra marketing efforts to redress.

* It must be clear to the Misys Group that all the divisional companies will gain completely new business: not at each other's expense.

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RISKS/COMPETITION

The risks that should be highlighted here are not substantive, as is evident from the SWOT analysis. They are in the main only risks of project failure and not of financial loss. Attention should centre on the eventuality that MiSYS would prove ineffectual in educating and mobilising it's sales team and would not maintain a growth in orders. Although this presents a risk of failure to capitalise on potential, it would still represent a small increase in total revenue.

The factors limiting the financial success of the enterprise would not include large scale investment in training nor would capitol expenditure be required at the outset. Hardware spares need only be requisitioned once installations are complete and/or maintenance contracts are agreed upon. Further stock would then only become necessary when the number of units supported escalate or new ranges are taken on.

The competition is widespread but the market is buoyant and currently supports many participants: it is unlikely that MiSYS would not be able to join them successfully.

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IMPLEMENTATION

As MCM third party maintenance/support would probably be an insufficient source of revenue alone, the implementation plan of this project is crucial to the prediction of business gains in connection with intelligent networks. The key factor is to win installation work and to carry it out on a subcontractual basis, (hopefully solely using Misys Comms cabling department) thus reaping all the hardware sales, hardware maintenance, cable maintenance and support services off the back of this business.

This mode of approach, whilst also allowing adhoc revenue to be accrued, will donate a 'bootstrap' nature to the enterprise: an organic acceleration in activity being likely to occur once initial orders are signed and company awareness multiplies. The revenue thus generated will then allow capitol expenditure to extend our horizons and bring the plan to fruition.

* Use subcontractors to install AT&T structured cabling with a nominal mark up.

* Provide cable maintenance at low percentages and low interventions rates.

* Sell network hardware to compliment installations with good profit margins gained through dealer discounts on r.r.p.

* Provide hardware maintenance at competitive rates by unbundling support services.

* Provide total network support contracts including troubleshooting, management, free healthchecks etc.

* Sell network software to compliment installations, including network management.

* Provide software support contracts for network software.

* Provide training courses for VARs and end users on network technology/software/management etc.

* Gain T&M field and workshop business through exposure to intelligent networks.

NETWORK COMPUTING BUSINESS PLAN

STANDARD OPERATING COSTS		
*Field Cost per hour:	27	
*Support Cost per hour:	34	
*Workshop Cost per hour:	22	

STANDARD CHARGEABLE RATES		
*Field T&M per hour:	65	
*Workshop T&M per hour:	65	

CONTRACT RATES		
*Network Support Rate:	4	% of H/W Sales + Cable Inst
*Software Support Rate:	15	% of S/W Sales
*Hardware Maintenance:	12	% of H/W Sales
*Cable Maintenance:	4	% of Cable Inst

DISCOUNTS/MARKUPS		
*Hardware Sales:	45	% Dealer Discount
*Software Sales:	45	% Dealer Discount
*Cable Installations:	15	% Subcontract Markup

MEAN REVENUES		MEAN COSTS		MEAN DURATIONS		MEAN INTERVENTIONS	
Mean Cable Inst Job	3450	*Mean Subcontract	3000				
Mean Cable Maint Contract	138	Mean Cable Cont Oper	7	*Mean Cont Cable Hours	1.00	*Mean Cable Calls PA	0.25
*Mean H/W Sale	1500	Mean Hardware Cost	825				
Mean H/W Maint Contract	180	Mean Cont Wrk Oper	22	*Mean Cont Wrk Hours	1.00	*Mean Wrk Jobs PA	1.00
		Mean Cont Field Oper	54	*Mean Cont Field Hour	2.00	*Mean Field Calls PA	1.00
Mean Network Sup Contract	198	Mean Net Sup Cont Oper	34	*Mean Cont Sup Hours	0.50	*Mean Net Sup Call PA	2.00
*Mean S/W Sale	350	Mean S/W Cost	193				
Mean S/W Sup Contract	53	Mean S/W Sup Cont Oper	14	*Mean S/W Sup Hours	0.25	*Mean S/W Sup Call PA	2.00
Mean T&M Field Repair	195	Mean T&M Field Oper	81	*Mean T&M Field Hours	3.00		
Mean T&M Installation	195	Mean T&M Inst Oper	81	*Mean T&M Inst Hours	3.00		
Mean T&M Workshop Repair	130	Mean T&M Workshop Oper	44	*Mean T&M Wrk Hours	2.00		
*Mean Healthcheck Job	450	*Mean Healtcheck Oper	128				
*Mean Training Fee	600	*Mean Training Oper	256				

MEAN PROFITS	
Mean Cabling Profit	450
Mean Cable Maint Profit	131
Mean H/W Sale Profit	675
Mean H/W Maint Profit	104
Mean Network Sup Profit	164
Mean S/W Sale Profit	157
Mean S/W Sup Profit	39
Mean T&M Field Profit	114
Mean T&M Inst Profit	114
Mean T&M Wrk Profit	86
Mean Healthcheck Profit	322
Mean Training Profit	344

ESTIMATIONS	*May	*Jun	*Jul	*Aug	*Sep	*Oct	*Nov	*Dec	*Jan	*Feb	*Mar	*Apr
*Number Cabling Installations	4	4	4	4	4	8	8	8	12	12	12	12
*Number Cable Maint Conts (adhoc)	0	0	0	0	2	0	0	0	2	0	0	0
*Number H/W Sales	4	4	4	4	4	8	8	8	12	12	12	12
*Number H/W Maint Conts (adhoc)	0	0	0	1	0	0	2	0	0	0	0	0
*Number Network Sup Conts (adhoc)	0	0	0	0	1	0	0	0	2	0	0	0
*Number S/W Sales	4	4	4	4	4	8	8	8	12	12	12	12
*Number S/W Sup Conts (adhoc)	0	0	0	0	1	0	0	0	2	0	0	0
*Number T&M Field Repairs	0	0	1	1	0	0	1	0	2	2	0	2
*Number T&M Installations	0	0	0	1	1	0	0	2	2	0	2	2
*Number T&M Workshop Repairs	0	0	0	0	1	1	0	0	2	0	2	2
*Number Healthchecks	0	0	0	1	1	2	0	1	2	0	2	0
*Number Training Courses	0	0	0	0	0	0	0	1	0	0	0	0
*Spares Budget	3300	0	0	3300	0	0	1650	0	0	825	0	0

* N.B. The entries marked by an asterisk are tuneable all others will be calculated

REVENUE	*May	*Jun	*Jul	*Aug	*Sep	*Oct	*Nov	*Dec	*Jan	*Feb	*Mar	*Apr
Cabling Installations	13800	13800	13800	13800	13800	27600	27600	27600	41400	41400	41400	41400
Cable Maintenance (from sales)	552	552	552	552	552	1104	1104	1104	1656	1656	1656	1656
Cable Maintenance (adhoc)	0	0	0	0	276	0	0	0	276	0	0	0
H/W Sales	6000	6000	6000	6000	6000	12000	12000	12000	18000	18000	18000	18000
H/W Maintenance (from sales)	720	720	720	720	720	1440	1440	1440	2160	2160	2160	2160
H/W Maintenance (adhoc)	0	0	0	180	0	0	360	0	0	0	0	0
Network Support (from sales/inst	792	792	792	792	792	1584	1584	1584	2376	2376	2376	2376
Network Support (adhoc)	0	0	0	0	198	0	0	0	396	0	0	0
S/W Sales	1400	1400	1400	1400	1400	2800	2800	2800	4200	4200	4200	4200
S/W Support (from sales)	210	210	210	210	210	420	420	420	630	630	630	630
S/W Support (adhoc)	0	0	0	0	53	0	0	0	105	0	0	0
T&M Field Repairs	0	0	195	195	0	0	195	0	390	390	0	390
T&M Installations	0	0	0	195	195	0	0	390	390	0	390	390
T&M Workshop Reapairs	0	0	0	0	130	130	0	0	260	0	260	260
Healthchecks	0	0	0	450	450	900	0	450	900	0	900	0
Training	0	0	0	0	0	0	0	600	0	0	0	0
Total Revenue	23474	23474	23669	24494	24776	47978	47503	48388	73139	70812	71972	71462
COSTS												
Cable Subcontracts	12000	12000	12000	12000	12000	24000	24000	24000	36000	36000	36000	36000
H/W Costs	3300	3300	3300	3300	3300	6600	6600	6600	9900	9900	9900	9900
S/W Costs	770	770	770	770	770	1540	1540	1540	2310	2310	2310	2310
Cable Cont Operation	27	27	27	27	41	54	54	54	95	81	81	81
H/W Cont Operation (field)	216	216	216	270	216	432	540	432	648	648	648	648
H/W Cont Operation (wrk)	88	88	88	110	88	176	220	176	264	264	264	264
Network Cont Operation	0	0	0	0	34	0	0	0	68	0	0	0
S/W Cont Operation	54	54	54	54	88	108	108	108	230	162	162	162
Field T&M Operation	0	0	81	162	81	0	81	162	324	162	162	324
Workshop T&M Operation	0	0	0	0	44	44	0	0	88	0	88	88
Healthcheck Costs	0	0	0	128	128	256	0	128	256	0	256	0
Training costs	0	0	0	0	0	0	0	256	0	0	0	0
Depreciation of Spares	55	55	55	110	110	110	138	138	138	151	151	151
Total Costs	16510	16510	16591	16931	16900	33320	33281	33594	50320	49678	50022	49928
OVERHEADS												
Advertising Costs	0	0	600	0	0	0	0	0	600	0	0	0
Telemarketing Costs	1000	0	0	0	0	0	250	0	0	0	0	0
Misc Purchases	0	250	200	0	0	0	0	0	0	0	0	0
Office Costs	200	200	200	200	200	200	200	0	0	0	0	0
Legal Fees	0	0	0	0	0	0	0	0	0	0	0	0
Total Overheads	1200	450	1000	200	200	200	450	0	600	0	0	0

	*May	*Jun	*Jul	*Aug	*Sep	*Oct	*Nov	*Dec	*Jan	*Feb	*Mar	*Apr
Contribution	6964	6964	7078	7563	7876	14658	14223	14795	22819	21134	21950	21534
Profit Pre Tax/Int	5764	6514	6078	7363	7676	14458	13773	14795	22219	21134	21950	21534
Interest												
Profit Before Tax	5764	6514	6078	7363	7676	14458	13773	14795	22219	21134	21950	21534
Accumulative Cap Ex	3300	3300	3300	6600	6600	6600	8250	8250	8250	9075	9075	9075

CASH PAY-BACK	*May	*Jun	*Jul	*Aug	*Sep	*Oct	*Nov	*Dec	*Jan	*Feb	*Mar	*Apr
Revenue	23474	23474	23669	24494	24776	47978	47503	48388	73139	70812	71972	71462
Less Op Costs Less Depr	16455	16455	16536	16821	16790	33210	33143	33456	50183	49527	49871	49777
Less Capital Exp (Spares)	3300	0	0	3300	0	0	1650	0	0	825	0	0
Less Overheads	1200	450	1000	200	200	200	450	0	600	0	0	0
Cash Position	2519	9088	15221	19394	27180	41748	54008	68940	91297	111757	133858	15554