

Infrastructure Investment Decision Processing

Situation

Our client is a major services provider with multiple lines of business. The client introduced a major new product in 1995 that was a first in the United States. The product is widely used outside the United States. Our client captured an early and significant market share but as their success became visible, competitors made significant investments in their own infrastructures. As a result, our client was left competing with a first generation, higher cost, lower feature platform that was at its capacity. Due to contractual obligations, it was not losing customers, but they anticipated that as those contracts expired, competitors would capture those customers with a greatly improved feature sets. As marginal costs of production are negligible, it was anticipated that prices would drop rapidly as competitive capacity came on-line.

Solution

Dechert-Hampe's initial role was to augment the client's Information Technology staff as the client was maintaining its current systems and planning its future. Incidentally, our project management staff was also engaged to help this client with various elements of its marketing and sales operation. This provided DHC with unique insight and perspective for solution development.

Through our project management process, we recommended that the client's business operation and information technology operation operate from the same assumptions. Effective go-to-market solutions required the integration of technology development with marketplace opportunities.

- Gaps between which priorities the marketplace wanted and what the IT organization was planning to build needed to be closed.
- A single forecast was required for the different elements of the infrastructure.
- The client's data infrastructure would need a migration plan to support a third generation technology.
- Work-arounds were defined as the optimal short-term approach.

Results

As we identified these issues to the client it became clear that a new approach was required. At this point, the client implemented some changes to business processes:

- Aligning the marketplace demands with IT's work queue. In the short term, this consisted of a single forecast. Over the long term, this has been accomplished by changing the IT project management process.
- Projects are now managed by the business community rather than by IT and provide technology based solutions that are marketable.
- Resolving capacity issues through work-arounds.
- Allocating availability to the sales force while ensuring the sales force was fully protected from a compensation perspective.

Leveraging the IT work queue into a "vision" of how the product would evolve over time. This had the effect of changing shortcomings into a marketing position of "innovator". Building certain features on the current platform, recognizing they would be replaced over the long term with the new infrastructure, to deliver on the "innovator" equity.