

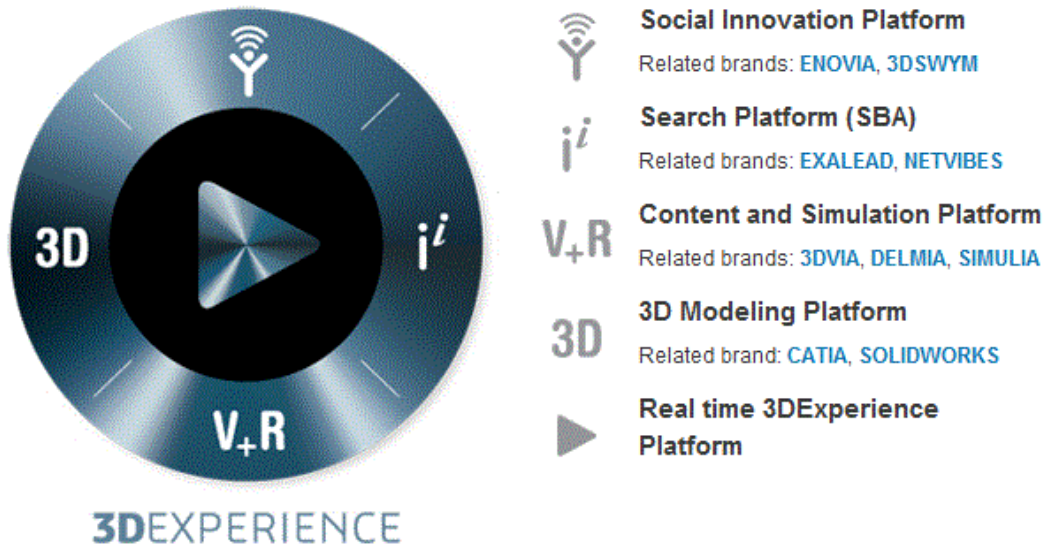
# Social Industry Experience—Driving Fundamental Changes at Dassault Systèmes

CIMdata Commentary

On June 5 and 6 Dassault Systèmes held their annual Industry Analyst event at their Velizy headquarters just outside of Paris. Day one focused on Dassault Systèmes—the company, and day two covered eight of their twelve targeted industrial vertical markets. This session provided some needed clarity on their recent changes in messaging, brand focus, and acquisitions. The attendee list included the usual industry analysts, but there have been some changes over the years as Dassault Systèmes has expanded their vision. This is reflected in how Dassault Systèmes defines the relevant analyst community, and there were some new faces in the crowd, including analysts covering virtual worlds, serious games, and financial services.

Day one started with a passionate presentation by Dassault Systèmes President and CEO Bernard Charlès. Dassault Systèmes tends to refer to their company's evolution as a series of historical epochs around their key offerings: DS1 for 3D modeling, DS2 for digital mockup (DMU), and DS3 for product lifecycle management (PLM). The company is now in DS4 which, according to Mr. Charles, is the “post PLM” era, focused on “3DExperience” powered by the V6 platform. The next step in the journey is to move from a product centric view to one focused on broader business value. While a business value theme has been adopted in the marketing and packaging of other PLM competitors over the last few years, Dassault Systèmes is taking a different approach. Their business and offerings are evolving to deliver a set of “social industry experiences” that Mr. Charles stated will be substantively different from the industry-focused solutions available in the PLM market today. This new approach has two iconic messages: “If We” and the compass shown below. “If We” provides a framework for industry campaigns that fit with the new company tagline “If we ask the right questions, we can change the world.” A bold question was asked in a recent project seeking to determine if it was feasible to tow icebergs from the poles to places in need of fresh water. This video has been used at several recent Dassault Systèmes events, and illustrates how their solution offerings were used in combination to test this hypothesis. Given the positive result from the virtual world, their partner is seeking funding in the real world to answer this question by actually moving an iceberg to a country in need.

The Compass (below) is adapted from the user interface of their V6 platform, and is now used to position the Dassault Systèmes brands and how they combine to deliver 3DExperiences. 3D (in the West position) is just what one would imagine—the product modeling capabilities from CATIA and SolidWorks (which recent announcements have shown are getting closer and closer together under the covers). South is the position of V+R, representing the content sharing, reuse, and simulation capabilities from their DELMIA, SIMULIA, and 3DVIA brands. In the East, we find “information intelligence,” a concept that uses words similar to the recent messaging from Siemens PLM Software, but means something quite different. For Dassault Systèmes information intelligence takes advantage of the search and semantic power of Exalead in combination with the portal technology from their recent Netvibes acquisition to provide information to enhance business operations. At North we find their platforms for social innovation, ENOVIA and 3DSWYM. Finally, leveraging all of this power and knowledge, users will, to paraphrase Aerosmith, just press play in the center of the compass to start their 3Dexperiences.



**The Compass Leads the Way for Dassault Systèmes in DS4**

As we saw during day two, while the experiences all have 3D in their names, 3D may or may not be essential to delivering social industry experiences. For example, Mr. Jean Colombel, their VP for life sciences, described seven industry experiences at various levels of completion: (1) virtual medical device program; (2) virtual design; (3) efficient and safe design (virtual prototypes); (4) virtual manufacturing; (5) device in operation; (6) social post-market surveillance; and (7) sustainable device and operation (patient and environment care). The same was true of the other industries reviewed on day two.

According to Ms. Monica Menghini, the EVP of Industry, Marketing Strategy and Corporate Communications, Dassault Systèmes has created a 3-year roadmap of experiences to build for each of their eleven targeted industries. (Of course, this number is now twelve with the recent Gemcom acquisition, which has been rechristened GEOVIA in the Dassault Systèmes style, and targets geophysical and natural resource industries.) There was also discussion of how each industry group is essentially a separate strategic business unit, with their own sales, marketing, solutions, and support functions. The traditional industries such as automotive and aerospace already have large teams, and the other industries are ramping up, often finding people within the Dassault Systèmes organization with the right skills for the industry teams. Based on the day two presentations, they have also made some good hires for industry leads, bringing in people with significant business experience in those industries. While all of the major PLM players have some form of industry-focused structure for their solutions and businesses, this step by Dassault Systèmes goes beyond what their competitors currently have proposed.

Why is Dassault Systèmes doing this? According to both Mr. Charles and Ms. Menghini, the world has changed. Issues like mobility, social media, and cloud computing, while challenging, have put power in the hands of the consumer over the last decade. Social is the new way of doing business, and consumerization of IT is inevitable. They claim that “consumers buy experiences” and they plan to build a set of solutions for vertical markets that offer unique value and are not just the result of conducting gap analyses and building features and functions directed at specific industries. They plan to build a set of social industry experiences, powered by their V6 portfolio and other offerings, that will allow their customers to “start anywhere, use any apps, build IP as they go, and connect the dots without heavy IT

intervention.” Ms. Menghini claimed that ERP and the right 3DEXperiences were all that you need to run your business.

Of course, they are also doing this to grow their business. While the PLM market has seen tremendous growth over the last several years based on our PLM market research, Dassault Systèmes is also trying to grow their addressable market. The remarks of Mr. Thibault DeTersant, their EVP and CFO, focused on convincing the audience that not only do these moves double their addressable market size from \$16 billion to \$32 billion, but that they are readily achievable. His arguments had some merit, but Dassault Systèmes is only beginning this journey and it will take some time to see if customers resonate with this approach and vote with their purchasing dollars (or euros or yen or...). This vision does seem broader in some respects in comparison to that of other PLM solution providers, and Dassault Systèmes does have a solid portfolio of offerings to help drive this change. (The annuity provided by their CATIA installed base has provided much of the \$2 billion Mr. Charles claimed that Dassault Systèmes has spent on V6 and acquisitions to get to this point.) They are also targeting some industries, like financial services and mining, which are out of the mainstream of PLM (but addressed by some of their competitors, such as Oracle, SAP and PTC, in the case of financial services). Managing this market breadth is an issue in itself. Dassault Systèmes cannot “focus” on twelve industries, as they claim, but they can emphasize that many and takes steps to compete effectively, with the right teams and processes in place.

The bigger issues facing Dassault Systèmes and this move are about business models and financial returns. Historically, CATIA and their other long-lived brands were offered using a particular business model and delivered significant operating margins. Services, while important, were limited to a certain percentage of overall revenue (now just under 10% of Dassault Systèmes total revenue). Social industry experiences may or may not fit this mold. Some elements that they contemplate delivering to consumers may yield little direct revenue, but could help Dassault Systèmes’ customers achieve a more rapid time to value. That is indeed the vision, but things like cloud and mobile are impacting margins across the IT space. In addition, many of these 3DEXperiences will require a significant service component, at least for the near to medium term, because companies do not yet understand how to use these techniques. Delivering high margin services that help create and capture IP is difficult to achieve, but not impossible. But this is another change to recent business practices that will have to be managed. And it will have to be managed throughout their partner ecosystems; with partners who are already burdened with sales enablement challenges.

In conclusion, at their annual industry analyst event Dassault Systèmes described a powerful, expansive vision that is being enabled with a substantial on-going organization and technology development cycle. This vision has become clearer over the last year, with an evolution of their definition of DS4 and how they will reorganize to achieve it. For over a decade, CIMdata’s world-class PLM model has called for more business solutions as part of the offering mix, and the Dassault Systèmes’ approach is a strong move in that direction, one that CIMdata applauds. Current Dassault Systèmes’ customers should take the time to understand this new direction to best assess its benefits for their businesses. Prospective customers should ensure that the 3DEXperiences they are offered provide not only the new social industry capabilities on which they were built, but also the capabilities they need to manage and execute their product development processes day-to-day. Of course, this new journey is just beginning, and many questions remain as discussed throughout this commentary. It is not clear if the analysts in attendance provided the necessary “If We” questions to challenge all of Dassault Systèmes’ assumptions, but clearly 3DEXperiences are

a new approach to be reckoned with in the PLM market. Only time will tell if they do indeed signal a beginning to the post-PLM era.

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