

The Stand of *Dassault Systemes*: “PLM will change the way you work!”

Interview with *Francis Bernard* and *Laurent Valroff*,
Executives of *Dassault Systemes Russia Corp.*

Aleksandra Suhanova (CAD/CAM/CAE Observer)

aleksandra@cadcamcae.lv

“Like Windows, *Dassault Systemes* with its V5 platform is
an “operating system” for PLM”.

Francis Bernard

Laurent Valroff

Laurent Valroff was born in France. In 1998, he graduated from the Lyon School of Management as well as from the Finance Academy in Moscow. He started his career as a junior analyst in Consulting by joining the Moscow office of *Accenture* in 1998, and then moved to the Paris office. As a consultant, he specialized in Supply Chain management and ERP implementation. His first experience in the pharmaceutical, consumer goods industries in Russia brought him in 2000 to the telecommunication sector where he served different consulting assignments for a major French Telco company in various countries in Europe. His recent achievements include the design and deployment of a pan-European new Sales and Distribution business model.

In 2005, Mr. Valroff joined *Dassault Systemes* to run the newly established branch for Russia and CIS countries, and is today acting as Country Manager.



Francis Bernard

Francis Bernard was born in Hanoi, Vietnam. After graduating from the Ecole Nationale Supérieure de l'Aéronautique et de l'Espace in 1965, he joined *Dassault Aviation* in 1967 as a theoretical aerodynamics engineer. There, he specialized in the theoretical definition of aircraft and established a CAD/CAM department where he launched *CATIA* in 1977. In 1981 he set up *Dassault Systemes*, a subsidiary created by *Dassault Aviation* to further develop *CATIA*,

and was appointed President. Under his direction, *Dassault Systemes* established a partnership with *IBM* to market *CATIA* worldwide. In 1995 Mr. Bernard was appointed Executive Committee Advisor, Member of the Board. He is currently responsible for executive marketing and business missions in order to expand *Dassault Systemes*' success in emerging markets (such as Eastern Europe, Russia, Ukraine, Asia Pacific, etc.), in new industry segments like plant design and shipbuilding).

— Dear Mr.Bernard and Mr.Valroff! Today *Dassault Systemes* (DS) and its strategic partner *IBM* are known as the most respectable companies on the CAD/CAM/PLM market. During the past year time since we've met last summer and you granted us the great interview, *Dassault Systemes* has undertaken several critical decisions and steps to broaden and revise its product line, to acquire several companies, to strengthen its positions on the markets of the key regions. The respectable company's image demands new comments from you. So, let's start, if you don't mind!

— For the beginning I offer you to concentrate on DS operations in Russia. Could you please retell us about the progress in the process of *Dassault Systemes Russia* formation?

— Laurent Valroff (L.V.) First of all, the new name of the company – *Dassault Systemes Russia Corp.* – exists and has been registered since the August last year, 2005, with its representative office located here in Moscow. This is a commitment to very long-standing strategic investment of *Dassault Systemes* on the market and this is a first milestone for the future growth and a presence of DS here in the region. As you can see, we have extended our office facilities, making more room available for our growing team. This year we continue to increase number of our employees

in the competence centre – our technical staff, whose main mission is to support our business-partners and the customers in implementing and setting of our PLM solution. Another important role of our technical team is to deliver a solid education plan for our business-partners, which we are focusing on right now. Because our products are evolving very quickly, new features are appearing on the market two times per year with every software release. As long as DS is committed to bring on the Russian market several new products, our technical team has the challenge to get up-to-date skills and deliver this knowledge to our business-partners and customers and support them. But I would like to point out the first role of our business-partners, which is to be the first PLM focal point of our customers. They will be covering to whole portfolio of DS solutions represented in Russia, starting from *CATIA*, *ENOVIA* and introduction of *DELMIA* to the Russian market. These I would say are the major axis of the development for this year. Of course, we won't stop on that and will continue to grow in the years to come.

— Besides growing your team inside DS Russia's office, do you have plans to enlarge the number of your business-partners to establish a better coverage of Russia and the CIS territory?

— **L.V.** As we stated a year ago during our first interview to your magazine, we also need to increase our business-partner network. Here it is important to understand, that **one of Dassault Systemes Russia (DS Russia) main missions is to grow the efficiency and the capacity of our business partner network**. So, with *HetNet Consulting, Bee Pitron* and *Mebius* – our three business-partners – we go in that direction. Using different scenarios we are committed to grow the number of our partners who can distribute our PLM solutions, because it is important for us to cover the entire Russian market and its different geographies, because it is a huge country. I hope during this year time we will have new partners aboard. It is important for the penetration we would like to achieve. Recently we also started to look at the possibility to increase number of *PLM Education Partners* in Russia; I mean organizations, which are able to provide professional PLM education services to our customers. **So, we started with Novosibirsk company LEDAS, which officially became Dassault Systemes PLM Education Partner.** And we will continue as it is another axis of how extend our reaches in Russia and to get closer to our customers.

A very important point of attention for us, indeed, is to deliver and ensure that our business-partners have the most updated product knowledge, because customers expect a strong service for their applications. **The good thing is that today customers are more looking for partners to get services and support, which was not necessarily true in the past, when very often, Russian companies believed that everything could be done in-house.** Customers are now changing and ask us to help them define, implement and deploy their PLM transformation in a controlled and accelerated way. Our attention on the level of skills of our business-partners is indeed much higher. Their Education Plan includes not only getting up-to-date knowledge on *DS* products, but also methodological training on developing high value PLM consulting services. This kind of training started with *HetNet Consulting* and I think everybody sees the benefits to move to high-value services. When necessary, we also bring to Russia *Dassault Systemes* consultants that come here to provide support to our business-partners and customers. Yes, you right, it is a key point of our attention, customers' requirements are increasing and our goal is to invest in the technical and service teams of *DS* ecosystem. We even see requests for services like management consulting services, engineering services for car and airplane design for which we can use the power of our service partner ecosystem.

The good thing is that we see the increased level of maturity of our main customers that now understand

PLM as something that will change the way they work. It is not only about technology acquisition, not only about software purchasing, it is about implementing real PLM environments. A holistic approach to PLM is needed, and no longer: “Just provide me software, the technology, and I will do the rest by myself.”

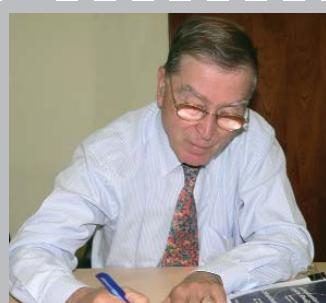
— **Francis Bernard (F.B.)** This process very much coincides with a strong reorganization trend of the manufacturing industry in Russia, and a change of mindset to bring and deliver world-class technology. For instance, build cars and airplanes, which are meeting world-class standards. That was not a case before. This is where our PLM solution is necessary.

— *Because IBM and its partners were established and operated on the Russian market a long before DS Russia foundation, we feel fare to ask, has DS Russia managed to enter correctly (successfully) to already existing and functioning business?*

— **L.V.** I think, in 2006, since a year, now in the most of operations we have created a momentum. At the beginning, there was a time of questions and expectations that gave rise to certain level of scepticism. Today, when talking to the management team of *DS* ecosystem the feedback I got is very positive. They are satisfied and understand the value *DS* brings them in developing the market and penetrating the industry in Russia.

— **F.B.** In fact, for the business-partners it is a benefit, because they are still partners of *IBM*, but *DS Russia* is coming on the side of *IBM* to deliver more support. Now it is a support, given locally. We have established strong technical and sales relationships with the business-partners, and we perform continuous joint activity on customer's sites and management of their relationship.

— **L.V.** For business-partners to have software editor coming to the market and investing significantly to serve and support them is certainly something they received very positively. **The value of our presence here in Russia goes in different directions: the presence of the software editor, access to product knowledge and releases much in advance, business infusion with *DS* PLM local and worldwide expertise, direct connection with *DS* ecosystem in the world. Business partners and customers can get access to any *DS* specialist of every industry or every**



product. To sum up, for business-partners there are three main values of *DS Russia* presence: the business value, service and support value and relationship value.

*— Do you coordinate *DS Russia* operations and work with the work of *IBM* business-partners, who are simultaneously your resellers? To what extent and what in particular has been coordinated? Do you set up any financial targets and tasks, for example on the year 2006?*

— **L.V.** Along with *IBM* we do coordinate their work and for every business-partner we set the financial target on a yearly and quarterly basis. We do manage closely the commercial plan and progress of our partners to push sales up.

Some general indicators of business growth are revenue of course, but also the number of the new customers. As we are expending on the Russian PLM market we started to catch up the situation there. **DS PLM solutions are not in a leadership position in Russia yet, as they are all over the world in all major markets. It is *Francis* and my objectives to develop here and to correct that.**

*— Can you please name examples of *DS Russia* achievements made during the past year time? Do you have something in particular what would be worth to mention (boast of) in *Observer* for its readers, including your users and competitors?*

— **L.V.** The first achievement you've been witnessing was the ***PLM Forum Russia 2005*** in Moscow in October last year. The event gathered more than 500 people from almost all industries and many academies, from all the members of our ecosystem. We think it was a very strong event because it represented to certain extent the set up of *DS Russia* on a permanent basis. It is a very encouraging indicator that brings justification to our strategy.

The second achievement is the launch of the localization our PLM solutions with our *DS* corporate central *Research and Development organization (R&D)*, starting with *CATIA* this year. First of all, it is managed directly with *Dassault Systemes R&D* organization. It means that the localized versions of *DS* products are not a local solution. The development and delivery of Russian localization has been integrated in the mainstream *DS R&D* processes. This is *DS* approach not only for Russia, but also for Japan, China and other regions. This is a good indication of the investment *DS* is doing for our market, which in many

cases is different from what some other software editors are doing by using their own local technical teams to provide the translated Russian versions of the software. We believe this approach is more secure for our users: new releases are consistently upgraded in Russian language. This fact differentiates our approach to product strategy. Relating to *CATIA* we have selected and we work with a partner – an international software translator – who is experienced working with the different vendors, like *Oracle*, for example, and already worked with *DS* on Chinese version of our software. Our objective is by the time of the upcoming ***PLM Forum Russia 2006***, which is scheduled on October 12th, to demonstrate and announce *CATIA* in Russian language on the market for those customers, who would like to have *CATIA* fully in Russian starting from *Version 5 Release 17*.

For other *DS* products in Russia we are going to follow the same localization approach.

*— What is all your resellers' in Russia and CIS total revenue for 2005 achieved in the sphere of providing CAD/CAM/CAE/PLM solutions? What is the growth rate in comparison to 2004? Are you ready to make public the amount of sold *CATIA*, *ENOVIA* or *SMARTTEAM* seats in Russia?*

— **L.V.** To give you the indication of the momentum in 2005, we can say that in comparison to 2004 the growth rate observed in PLM for Russia and CIS was between 40-50 per cent. **Our objective and expectation for the future is to achieve more than double-digit growth on the yearly basis.**

— **F.B.** We do not break data of sold seats by regions and separate countries; we present it only on corporate level. Also everybody have to be careful comparing these data, because it may include seats given away to educational institutions. And there are still many black licenses on the market unfortunately. To my estimation globally in Russia the overall CAD/CAM/CAE/PLM market is in the range of 100 million of dollars per year. When I say 100 million I mean a range from 60 till 120-150 million of dollars. Actually, nobody knows that, I may be wrong by the factor of two! Sometime we have customers with the much known names that are coming to us, having already 100 illegal *CATIA* licenses. They don't want to be named, of course, but there is a growing awareness, that the situation cannot stand like this too long.



– **L.V.** Yes, we have to be careful with the data by two reasons. First, the corporate figures can be edited and verified, as it is used by analysts on financial markets. There is a high level of reliability. At a country or regional level, there are no editing requirements and there is no impact of the financial markets. So it is more a sales strategy.

Moreover on the Russian level I am not sure, that anybody can have enough data to make relevant and meaningful analyses. Because if you look at the international analyses, the one your magazine makes – “Kings and Cabbage” – the information you combine, cross check and analyse to formulate some meaningful messages for your readers is much richer, than what you can ever get on the Russian market. Because you need to know the installed base to measure the relative progression, you need to compare product lines and industry segments to conclude about some dynamics.

Of course, what is important for us is to know where we see the perspective segments of the market. I hope that this year we will be able to communicate more broadly about the wins, which are the important indicators of the penetration and achievements. In the future, it is possible that we progressively disclose wins that *DS Russia* and our business-partners have achieved.

Regarding piracy we see an interesting momentum too. At the major corporations and newly formed industrial holdings there is more and more the understanding, that software value is a part of the asset of the company. Black licenses bring the zero dollar value to the company. So, our message is to protect the investment, when you invest – you design and manufacture products and you found your strategy on tools, technology, solutions, that are reliable and secure, that you will get a services and support. In Russia there is a growing financial or industrial approach to software investment. It is important to increase the value of the company’s asset. Large corporations perceive this message well and we are working with them, helping to migrate to legal software usage. That gives these companies an access to us for receiving services, support and competitive software offerings.

– In the continuation of the conversation about large industrial holdings and concerns, which are being founded in Russia, we are interested if DS Russia is working and has entrance to the newly formed United Aircraft Construction Corp.? Your competitor PTC openly stated about the success in that direction...

– **F.B.** In fact, we are in touch with many players in automotive and aerospace markets. But as I said before the situation in Russia is quite different from what we see in the Western Europe or USA. These companies are going today a complete reorganization process. However we have established the relationship and we try to understand what is going on there. We also understood that these companies have priorities, which are above PLM itself – just to reorganize the company, to negotiate about how to integrate engineering and manufacturing plants, etc. Yes, we are in this game.

– **L.V.** Yes, you right, we are working with all aerospace players in Russia. There are many and complex driving forces that will ultimately result in foundation of *United*

Aircraft Construction Corp. (UAC). We work with the dozen of companies that make Russian entire aeronautic market and will be a part of *UAC* soon, whether it is in *PDM* or *CAD/CAM/CAE* sphere. I would say that these companies are driving a progressive consolidation of *UAC*. We also observe very carefully the process of formation of this holding to position ourselves accordingly. *DS* is the number one *PLM* provider and *CATIA* the undisputable standard in civil aeronautical industry worldwide, so it makes sense that the future civil aeronautical business unit of *UAC* runs on *DS* *PLM* solutions.

As a conclusion I would like to add, that since late 2005 we observe an acceleration of this new phenomena, which is formation of the large industrial holdings, and we stay in touch with all the industries, where *PLM* is addressable. We work with the management teams of these companies. But, as you can imagine, it takes some time to build and establish a *PLM* strategy with holdings of that size, which are under creation and reorganization. *DS* is dedicated to bring *PLM* business values to all customers in Russia, bringing its international *PLM* expertise and leadership to the major Russian industry players.

– The coolness of the relationship between Dassault Systemes and IBM was successfully used by your competitors. Today PTC become IBM’s friend, they signed cooperation agreement and even representatives of both companies have met here in Moscow to discuss possible cooperation ways in Russia. From your point of view here in Russia do PTC and IBM have a real subject for discussion? Is there any potential perspective for such a possible cooperation?

– **F.B.** Personally, I don’t think there is a big potential for cooperation. *IBM* and *PTC* have done the same in China also. There may be a case-by-case relationship mostly between *IBM* service organizations and *PTC* for *Windchill on Demand* implementation. This may happen. But we also have relationship with *IBM* top management people from it’s headquarter office in New York city and from there we know, that *IBM* will not establish any kind of relationship with *PTC*, except some tactical very limited actions, if it allows them to sell services. *IBM* will not set up any kind of relationship to sell software products; to do joined marketing activities with any of our competitors, like *PTC* and *UGS*.

– And still... If earlier you made friendship with IBM against PTC and UGS, then logically would be to continue that incipient partnership PTC with IBM is forwarded against you. Can IBM be a friend simultaneously for two competing vendors similarly productive?

– **F.B.** No, I don’t think so. **First of all, Dassault Systemes is not dependent on IBM as much as it was a case 10 years ago.** Right now around 50 percent of our revenue is coming from *IBM* and 50 per cent – from *DS* direct channels. Even 10-15 years ago 95 per cent of our revenue came from *IBM* site. So the *IBM* weight becomes more and more a smaller share in *DS* total revenue. And this trend will go on. But even with time, when *IBM* will generate only 10 percent of our revenue it will stay forever a strategic partner for us.

As *IBM* is doing more and more services, then like any service company it has to keep some neutral position to deliver consulting services to its customers. Its service teams can implement different *PDM* systems on the customers' site. But *IBM* will never sell *PTC* software itself. Frankly speaking, the probability of that is very low.

— *L.V.* Our message is that the nature of relationship between *IBM* and any other PLM vendor can never ever match the nature of the partnership between *IBM* and *Dassault Systemes*. Certainly it can be tactical, for certain product, it can involve non-PLM organization of *IBM*, but the core of the relationship — *IBM/DS* commitment to PLM — remains the same.

— Recently on the 31st of May here in Moscow *Observer* have given a talk — Round table — with three *UGS* vice presidents. The same as you do, they do evaluate very high Russian potential and have set a target for *UGS* representative office and resellers to quadruple its business in Russia by 2010. We have also participated at "PTC InnovationForum 2006", where *PTC* claimed to have 100 per cent growth in Russia in the past year 2005 and great perspectives for 2006. Logically you would have to set up something against such expansion to Russia of your competitors. The question is — what are your plans to offset and what are you going to do?

— *F.B.* First of all, the issue to quadruple the business in Russia by 2010 is not unrealistic. Just few weeks ago *Dassault Systemes* has announced our target at the worldwide level to the analyst community that is to double our revenue by 2010 in comparison to present situation. That means we will be moving from approx. one billion Euros to two billion of Euros. As long as Russia is an emerging country the growth rate here is bigger, than at other well-established countries, like France and Germany, for example. So, for us doing two times more in Russia, than the average growth level is realistic issue. Even if I compare what we will achieve in 2006 with the numbers of 2004, then for two years we have doubled the revenue in Russia.

It is true, that *UGS* is our main competitor in Russia. We feel its pressure, because *UGS* was here in Russia much before us. This is a reality. But we take the Russian market very seriously that is why last year we've created *Dassault Systemes Russia Corp.*, built an ecosystem and we are growing our staff and relationships with our business-partners. We are pushing hard. However I don't think we are late on the market. First of all, before *DS* had other priorities, secondly, *IBM* was here before us. Even before *IBM*, during the USSR time, even without us knowing, there were some *CATIA* black licenses. We will grow in Russia according to the market potential and we run in Russia the strategy we use in other geographies.

— *L.V.* When you compare us to *UGS*, you have to consider not only PLM business we have, but also our affiliate company *SolidWorks*, which has a separate office in Russia. *UGS* deals altogether with middle-range and high-end solutions. Now we are speaking only about PLM and its growth, supporting it with the equivalent level of investment. If you compare the joined achievements of *DS Russia*, reseller of



*Francis Bernard and Anastasia Kuznetsova,
Marketing Manager, DS Russia*

ABAQUS/SIMULIA and *SolidWorks* office to *UGS* results, then the revenue we got is equivalent to what *UGS* has. Moreover we have *ENOVIA MatrixOne* product, which is not sold in Russia yet, and it has some interesting potential for future growth.

— At the beginning of our interview you mentioned about *DS Russia's* willingness to introduce on the Russian market product *DELMIA* for digital manufacturing. Your main competitor *UGS* is also following that strategy, introducing here recently acquired *Tecnomatix*. Do you see in Russia customers, who are ready to implement it and need to simulate manufacturing processes?

— *F.B.* First of all, *UGS* has done the same what we did much before. We have acquired *DELMIA* in 1995, which is ten years before they acquired *Tecnomatix*. I don't think the integration reached by *UGS* and *Tecnomatix* is as big as we have with *DELMIA*. Because if you work on *DELMIA* work seat, you use the same interface and database as if you are working in *CATIA*. *DELMIA* is completely integrated to our PLM solution. Actually, we have a rule in the company that we never compare our own products performance with the competing, we can only say what we can do for the customer and what we can achieve using our solution.

It is true that on the worldwide level we compete with *Tecnomatix* every day in automotive industry, but we have very strong customers there and we are nearly standard in the aerospace market. Because *DELMIA* can read the geometry from other systems we have good example when *DELMIA* coexist in the company with other CAD/CAM solution. And vice versa, some of our customers, who use our PLM tools, use also *Tecnomatix* for digital manufacturing. Sure the level of such integration is not as big as with our own PLM solution. Moreover, I agree with you on the point, that Russia is an emerging market and the number of deals we get with *DELMIA* here is still relatively small.

— *L.V.* In Russia we have started to sell *DELMIA* this year by establishing a network of two *DELMIA* resellers, who are simultaneously our business-partners. We enriched the product and solution portfolio they are providing to our customers. And we are developing *DELMIA* competencies in *DS Russia* office to provide an efficient support to our business-partners and customers. The first deal with the customer from the shipbuilding industry is under finalization that is

why we cannot publish the name. As soon as it will be done, we are going to promote it. The aerospace and automotive industries certainly present interesting perspectives. Overall we have observed a strong customers' interest in our digital manufacturing solutions in Russia, many of them are very keen on understanding what *DELMIA* can do for them. Now we are in the contact with all aerospace and automotive companies introducing them our digital manufacturing solution. *DELMIA* is catching the attention. What is interesting, customers almost come to us by their own initiative to see the product. I am quite in line with what you have observed on the market with the regard to such products, but there is a demand for *DELMIA* on the specific markets like aerospace, automotive and a bit of shipbuilding. It is not all the markets, of course. But those big companies are very much interested to understand and to deploy the production planning processes simulation tools. We see three coincidences in Russia: first is a strong push towards re-development of the manufacturing industry, which has been underfinanced in the last 15 years. The second point is a strong push for more cooperation between Russian and foreign industrial companies. And at the same time there is a strong push from technology providers to support the re-development and re-capitalization of the Russian manufacturing industries.

– If you don't mind I offer you to move to the corporate and international relations.

*For a long time inside the Dassault Systemes a situation regarding its own CAE system was not clear, and this was the weak point in the competitive battle. But recently appeared *SIMULIA* – what is it: brand name, platform, product line for realistic simulation and analysis? If I as a customer would buy *SIMULIA* today, then what would I get – CAE tools from *CATIA*, *Nastran* or *ABAQUS*?*

F.B. Right now *SIMULIA* is a brand name, not even a platform. It is a vision to address simulation in order to digitally optimise the product before it will be actually created. Now we have to transform this vision into a strategy and our portfolio. *Mark Goldstein*, CEO of *SIMULIA*, is in charge for implementing *SIMULIA* vision into a real life and for making us a leading company in this domain. Today his division has *ABAQUS* for non-linear analysis, *FEA* (finite element analysis) tools from *CATIA* portfolio. The third part of *SIMULIA* is formed by our *CAE* partner products, like *LMS*, *MSC Software*, *ESI Group* who are addressing different parts of analysis, going from crash analysis, to suspension analysis, thru durability, noise and vibration, fatigue, acoustic, structural and thermal simulation etc. *Mark Goldstein*'s main objective is to step by step cover all the analysis domains. What needs to be done is to reach very good integration of all the components with *PLM* solution. For example, in the best case customer does even see that he is outside *CATIA* and works within a partner's product application. Today this is true already for *LMS* software, because they have adopted *CAA V5* platform even with their own customers. So, the objective for *SIMULIA* will be to cover everything throughout *DS* application, as well as software of our partners in a completely integrated way. This is the main task we are giving to ourselves.

So, to answer your question, if a customer is buying *SIMULIA* today he gets *ABAQUS* or software *X* from partner *Y*,

depending on his needs. The integration of the software will be implemented step by step.

*– Was it worth to pay such a high price – 413 millions for *ABAQUS*, if its year revenue was only around 100 millions? Can you justify such big spending? How long will it take to get return on investment: 4 or 5 years?*

F.B. First of all, *ABAQUS* was a very successful company as well as a product. They are very profitable and well respected on the market. Company has key accounts in automotive and aerospace industry. For *DS* it was a good acquisition not only because they are making profit, but also because more than 60% of their customers were not *DS* customers. This fact extends our penetration on the market. We've bought this company because we had cash money to do that. Instead of using this money for hiring new staff to do the same job, we preferred to buy a company, because with this we are winning time and get an expertise just in one day. This has a value. Now, if we have money to pay for this value and if our financial expert estimates, that it is worth this money, and then we safely perform the acquisition. Imagine, you have 400 millions dollars of cash, what can you do with it? You can put it in a bank and get around five to ten per cent revenue every year. Or you can buy a company like *ABAQUS* and get 20 per cent revenue, because the company is very profitable.

Acquisition of *ABAQUS* was better than anything else as a financial investment for *DS*. Secondly, this move expands our market penetration, our product portfolio and our customer set. With it we won in many aspects.

*– Do you really see the big need on the market for the products like *ABAQUS*? Does the strategic meaning of *ABAQUS* is really so high? But may be you have allowed respected Daratech to mislead yourself regarding estimations of the growth rates for CAE business in the near future?*

F.B. As I told you already, the money we spend was the best investment, even without considering the other things. We are convinced that all the products in the industry will be digitally defined. And if you cannot simulate those products before they are created in the reality, you cannot say that you have made good product digital definition. It means that **simulation is becoming as important, as the design itself**. In fact, it is completely interconnected with the design. Actually, I don't care what are in *Daratech* and other analytical agencies reports, because simulation is absolutely key factor. I can tell you, that even before I started to develop *CATIA* - 30 years ago, the objective was not to do design, but to make simulation. In *Dassault Aviation* the objective was to optimise the airplane through aerodynamics and stress analysis. Because the plane has to be as light, as possible, but strong enough to support other stresses. So, we created design capabilities to store the input of that analysis into the computer, not for design, but for analysis. Nothing is more important than analysis. I mean, you need design to manufacture the product, and you need analysis to optimise it. It is like three legs of the table to make it stable. The legs are: design, simulation and manufacturing.



Laurent Valroff and DS Russia Technical team

– Dassault Systemes stated, that is not intended to engage IBM in the ABAQUS and SIMULIA sales, but will do it independently. How IBM reacted on that?

F.B. I cannot say there was a specific reaction from the *IBM* side. *IBM* is our strategic and long-term partner, however we have to make our life and make the decisions regarding our business by our own. *IBM* is doing the same itself. So, here is no any specific problem. Of course, case-by-case *IBM* could be involved in *ABAQUS* relationship with its customers, playing a role of software integrator. This is business as usual.

– For a long time and quite successfully Dassault Systemes is collaborating with MSC.Software, one of CAE market leaders, and owns nine per cent this company's shares. How acquisition of ABAQUS and development of SIMULIA will influence on the relationships between DS and MSC.Software?

F.B. Nothing could be absolutely clean everywhere. *MSC.Software* is a mix of a competitor and *CAE* partner for us. This is a real life. It is difficult to have a partner with no competitor view to anything you have. Moreover many of our *CAE* partners really compete between themselves. *ABAQUS*, *MSC.Software*, *LMS* are our *CAE* partners; they do compete in some way, but not completely, as they are not working on the same territories. These companies see a value in having and sustaining partnership with *DS*, because it gives them integration, what their customers are looking for. This is like many software products are running on *Windows* platform that means they do compete with each other in some way. **Like Windows, Dassault Systemes with its V5 platform is “an operating system” for PLM.** So, to answer your question, there is no conflict between *DS* and *MSC.Software*, but there is a competition between *ABAQUS* and *MSC.Software*.

– Another recent DS acquisition – MatrixOne Company, well known PDM/PLM market player. In the DS portfolio you already have two PDM systems: ENOVIA and SmarTeam. Why it was necessary to throw away 408 millions of dollars for one more system?

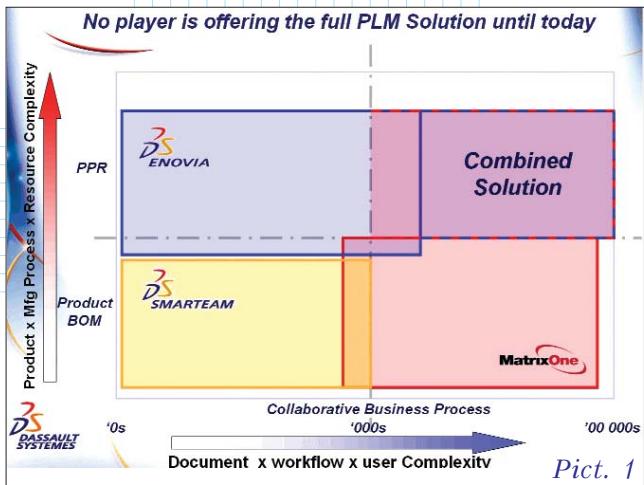
F.B. First of all, it is clear for us, that what we regard as *PDM* – in reality is a huge domain, which depends from what kind of data you have to manipulate, how many users were collaborating, how many files you have to manipulate and share, and etc. Today to cover this huge domain one united system doesn't exist. It appears that *MatrixOne* is addressing the set of capabilities and a set of customers, where we were not at all presented with our portfolio. Very large number that is 65 per cent of *MatrixOne* customers were not *DS* *PLM* customers. These customers work in High Tech, electronics, *CPG* (consumer product goods) and chemical industries. In fact, these are four new markets for us. Initially, *DS* addressed seven markets that covered manufacturing industry (automotive, aerospace, shipbuilding, plant design, machinery, Electrical&Electronics devices, consumers goods), and after *MatrixOne* acquisition we cover already eleven markets. For our own current customers *MatrixOne* is offering a set of capabilities, that we were not able to offer with *ENOVIA VPLM* or *ENOVIA SmarTeam*. The best illustration is one of our largest historical *CATIA* users –Japanese company *HONDA* that uses simultaneously *ENOVIA* and *MatrixOne*. They are happy about our acquisition, because for some time already they were asking us and giving ideas how to progressively make synergy and to integrate *ENOVIA VPLM* and *MatrixOne*. The reaction of the market and *MatrixOne* customers has been excellent. I think, for *DS* it is a good opportunity.

– Though MatrixOne has many advantages, company's financial positions were not the best ones. Four years continuously MatrixOne was unprofitable, working on the four markets that you have mentioned. Why you count that DS will be successful there? Where do you see the key point for success?

F.B. The main point of success will come from our wide geographic coverage. The key challenge of *MatrixOne* was its dealer channel, which had to be extended. The synergy between *MatrixOne* and ourselves comes from our capability together with our business-partners to better address the market. In other words, part of the benefit for *MatrixOne* will come from better coverage of the market. The second part of the benefit will come from the synergy between *MatrixOne* as a technology and a product with our *PLM* solution. We spent a lot of money on that acquisition, because we believe it was worth to pay. They have approximately 500 people, with very strong *R&D* organization, with very good skills in their technology. We believe it was a good decision for *DS*.

– After merger finishing with MatrixOne, Dassault Systemes announced, that structure of product lines and departments of DS, involved in PDM/PLM is revised. Now following your statement, there are three product lines: ENOVIA VPLM, ENOVIA MatrixOne and ENOVIA SmarTeam. Could you please make clear for our readers the distinctive features, purposes and spheres of implementation for each of three?

F.B. Yes, you right, we have reorganized our company with the *ENOVIA* brand. These three sets of the products are under the same brand. That means we have *Joel Lemke*,



CEO of ENOVIA Corp., responsible for these three sets of the products. He is able to organize the work himself to integrate those products. He will work with the customers and will look for a best way and the level to which the products could and should be integrated. There is also one R&D manager to cover everything.

For better explanation of the destination and differences between each set of a product I will show you a scheme (*see picture 1*). Here you can see *Dassault Systèmes'* integrated model that interlinks representations of the Product, the manufacturing Resources (tooling, factory and operators) and the production Process. **PPR (Product, Process, Resources)** is a fundamental building block of *Dassault Systèmes'* PLM strategy and is found in *CATIA*, *DELMIA*, and *ENOVIA*. This integration means that when a user makes a product design change in *CATIA*, the change is reflected in the associated manufacturing processes definition in *DELMIA* and the resources data stored in *ENOVIA*.

ENOVIA SmarTeam is good to manage simple data when the number of documents is not very big. It provides collaborative product data management for small and mid-sized projects, engineering departments of larger organizations, and across supply chains.

ENOVIA MatrixOne is necessary when customer has a huge number of users, it may be 10 or 100 thousand users, huge number of documents and part files, but simple data. It is about collaborative product development business processes. In other words, you unify collaboration between the large extended enterprise, but with the relatively simple data: documents and files. For example, imagine I am making computers and working with one thousand of suppliers. This solution is showing the way in which I am going to manage the relationship between the companies that work together, to do the computer assembly as quickly as possible.

ENOVIA VPLM is the solution for 3D collaboration around the virtual product model for complex products and manufacturing processes. It provides, for example, unique values when you have to deal with complex digital mock up data working for example in automotive and aerospace industries.

The fourth part consists of the combination of the software, like the case with *HONDA*, who needs both, *ENOVIA VPLM* and *MatrixOne*.

Like all major PLM market players we are doing with *PDM* since the mid 80s. It is 20 years already. Step-by-step we have learned how big this domain is. In fact, it is all related to collaboration. When we speak about collaboration, we have to analyse, what kind of data we have to exchange and with which to collaborate. The only product on this picture (*see picture 1*) we have developed by ourselves is *ENOVIA VPLM*, the rest were acquisitions. However even our *ENOVIA* has a long development story, including the acquisition. Like with *SIMULIA*, this structure is kind of “puzzle” consisting of pieces. We agree that there is no integration between *ENOVIA VPLM* and *MatrixOne*. The fact is that we have customers using only *MatrixOne*, we have customers using only *ENOVIA VPLM*, but we have also customers, using both these systems. On them we will learn what kind of integration and synergy must be implemented between the two solutions. **My main message to say is that acquisition of *MatrixOne* is benefiting to this company because we have an extended channels, but it will be also beneficial to *ENOVIA*, because its customers will look at *MatrixOne* as a good add-on to manage their extended enterprise.** The integration question is not an issue for us. When we bought *MatrixOne*, our objective was not immediately to phase out the program and to use the resources and technology to our portfolio. The objective was: we bought a company, which has a value. Through the synergy with *DS* they will become more successful, because we have more contact with the customers, and we will continue to work with the customers to see, what we should do.

– In the last year interview to our magazine you, Mr. Bernard, told a phrase, which became famous since that time: “We manage SolidWorks absolutely separate from our PLM business”. We got the approval on that from SolidWorks COO Jeff Ray during his recently interview to Observer. We think this is official point of view of DS, your strategy and tactics concerning your affiliate company SolidWorks. However SolidWorks recently has bought Conisio – new PDM system for itself. On the base of that we can conclude, that today SolidWorks is following the modern strategy to provide the middle range companies with the middle range PLM solution, as both its competitors – UGS and Autodesk – are doing with announcing of their own middle range PLM solution. From our point of view SolidWorks is doing the same, but it is not allowed to call it middle range PLM, probably because of the fright of internal competition. How can you comment this, please?

F.B. First of all I think it is natural that they have to go to *CAM* and *PDM* as well, because their customers request it and it is a way how to stay competitive on the market against their competitors. This is a rule of the game. So I am not surprised they have moved there, because we move in the same direction only at the higher level. I think the difference between us and *SolidWorks* is that they have a completely different distribution model – it is very easy to buy *SolidWorks* package in one day and their distribution channel has nothing to do with what we do. They sell and do not need to set up a long-lasting relationship with their customers. You know, CEO of *SolidWorks* John McEleney every evening gets a message on his mobile phone with the total number of sold *SolidWorks* seats. So, their main task

is to grow the user base. *SolidWorks* is more like a commodity that you buy. However we sell more sophisticated solution, which in many cases includes services to implement it. Our task is to learn the specifics of each industry, to know exactly how to build a car's door, or to make a styling of a car. *SolidWorks* is not in this kind of spirit. *SolidWorks* and its competitors' main task is to develop a solution, which is not industry dependent, business-process dependent, but which is doing the best possible job for the customer, who wants to buy a system, which is easy to use, easy and quickly implement. Of course, if a customer has several *SolidWorks* seats, they need to have a way to collaborate and that is why they need a *PDM* system. As long as they do design, certainly they need to add functional for manufacturing and *CAE*. But they do it with a very different spirit, than we do. *DS* software is allowing making cars and airplanes, but *SolidWorks* is delivering a tool to do something for the customer, not specific to cars and planes. I am sure, that *SolidWorks* sales and marketing people say, that their system can do everything. But in everyday life our PLM solutions' sales people experience very limited competition with *SolidWorks* sales channel, when they are selling so called middle range PLM. In fact, PLM is very misleading. The difference between *SolidWorks* and *DS* is in culture, distribution channel and the way to address the customer needs.

— **L.V.** A good illustration of this is the recent *SolidWorks* event held in Russia, which was named as *PLM Forum*. Today there is tendency or more a communication trick to call everything "PLM" and to blur the boundaries between what PLM used to be historically – a high-end CAD system, that have been progressively integrated to *PDM*, simulation and factory environment – with a "*product-centric*" CAD, that has been enhancing its functionalities, but still has not even a vision of PLM.

We highly respect *SolidWorks*; it showed a tremendously good performance. As a mark of respect, our affiliated company has a lot of freedom to decide its own strategy, as we are setting just the simple boundaries. The good thing that distinguishes us from other PLM vendors here in Russia is that I, as *DS* representative, am not dealing with *SolidWorks* and I am not involved there, because they have their own strengths, recognition and strategy.

Speaking about competition between *SolidWorks* and *DS* sales people: it may happen, but as *Francis* told you last year, on the worldwide basis the risk of overlapping or competition does not exceed 5% mark from all the deals. I've checked that question with our business-partners and they told me, that the risk in Russia is around 5-10%. It is a bit more in Russia, because of the price pressure and

because the integration with all OEMs (original equipment manufacturers) and foreign companies is not so strong here as in other countries.

Actually we all benefit from the messages that PLM brings to the market for customers to realize, that it is a key core stone to transform the industry. PLM alone cannot make the transformation, because there should be composition of technology, *know-how*, best practises and an environment. For me personally, I see a big difference, since the past year time, when I came to my position. The momentum in 2006 is huge in Russia; the mentality has been changed also!

— *If there is anything you would like to express for our big Russian-speaking readership, you are welcome to do it.*

— **F.B.** I would like to point out that *DS* is very committed to the Russian and CIS market. For us it is one of the key drivers for the expansion and better geographical coverage, to address all the new markets where we see a good potential. Obviously, Russia has its strong and weak points, which we learn in order to adapt the way we sell in this country. Because for us as I said before Russia is a challenging market under heavy reorganization. This is new to us in comparison to other countries we work in. We will continue to expand to develop a larger ecosystem, to have more resources for our customers in this country.

— **L.V.** My final words to the *Observer* readers would be the following. First of all, *Francis*, all *DS Russia*'s team and me are pleased with how well we have been received by our customers, business-partners and the market in general since the past year time. Words towards us were mostly positive. The attention to *DS Russia* implementing its permanent organization in Russia has been high. The second thing is that we are fortunate to be in the middle of the reorganization process of the Russian industry. We all committed to serve our clients, to bring PLM technologies and solutions to our clients, to make their transformation successful. Every day we observe new consolidations in the industry, mapping of the industry by sectors of activities. **It has key importance that we work closely with these companies, to make their transformation successful, to help them to become international competitive players.** From their side, they are coming to us, asking to help them to realize that. We are strongly convinced that our experience and PLM solutions have a compelling value for the Russian industry; that would be a good driver for us to grow in the next years.

— *Thank you very much, gentlemen, I highly appreciate your answers and comments!*

Moscow, the 4th of July, 2006 ☰

Dassault Systemes Russia is sending its invitation to all *CAD/CAM/CAE Observer* readers to come to participate at the *PLM Forum Russia 2006*, which will be held by *Dassault Systemes* in Moscow, October the 12th, in the *Radisson SAS Slavyanskaya* hotel (www.plmforum.ru). We will be happy to see every customer, interesting in PLM and willing to understand *DS* products, strategy and the great platform of the whole our ecosystem. All our partners will be at the *PLM Forum* to demonstrate their solutions and products. And I hope by that time along with *Observer* magazine we will be able to disclose more of our achievements on the Russian market during 2006 and our PLM plans for the next year. In that great time of the year we will be happy to welcome all of you to join us at the *PLM Forum Russia 2006*.