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1 IN RE:

2 THE MATTER OF ORACLE'S PROPOSED ACQUISITION OF PeopleSoft

3 CIVIL INVESTIGATIVE DEMAND NO. 22795

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7 San Francisco, California

8 Friday, January 16, 2004

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13 Videotaped Deposition of PAUL CIANDRINI, a

14 witness herein, called for examination in the

15 above-entitled matter, pursuant to notice, taken at the

16 Department of Justice, Antitrust Division, 450 Golden

17 Gate Avenue, Room 10-010, San Francisco, California

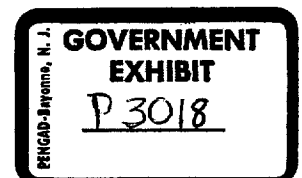
18 94102, beginning at 9:16 a.m. before Judith Ladd, RPR and

19 CSR.

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11 **PAUL CIANDRINI,**

12 **after being sworn by the Certified Shorthand**

13 **Reporter, the Witness testified as follows:**

14 **EXAMINATION BY COUNSEL FOR THE DEPARTMENT OF JUSTICE**

15 **BY MR. LOHRER:**

16 **Q State your name for the record, please.**

17 **A Paul Ciandrini.**

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12 Q Who are you employed by?

13 A Oracle Corporation.

14 Q What is your job with Oracle Corporation?

15 A My title?

16 Q Title.

17 A My title is senior vice president of North

18 American Application Sales.

19 Q North American Application Sales?

20 A That is correct.

21 Q How long have you had that title?

22 A Six months.

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1 Q Beginning when?

2 A Beginning June of 2003.

3 Q Was it June 1, 2003?

4 A Approximately.

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15 Q Line 9, customer name Gartner, key competitor

16 PeopleSoft.

17 A Um-hmm.

18 Q Is the key competitor accurate there?

19 A They were one of the key competitors, but they

20 didn't really go down to the wire. They didn't make the

21 final cut.

22 Q Who made the final cut?

00196

1 A SAP.

2 Q Okay. And when did that deal close?

3 A That deal closed the end of the second  
4 quarter. So probably about a month later.

5 Q A couple of weeks ago, right?

6 A Yeah. No. We ended the quarter in November.  
7 Our Q2 ended November 30th. So it's like five weeks,  
8 six weeks ago.

9 Q Let's go back on -- let's forget about end of  
10 the quarter because I think the dates are off. Do you  
11 remember when that opportunity concluded?

12 A Yeah, approximately November 30th.

13 Q Okay. And was Oracle successful in that  
14 opportunity?

15 A Yes.

16 Q Okay. And in that case, Oracle was successful  
17 and SAP was a finalist that was unsuccessful?

18 A Correct.

19 Q And how is it that you know that information?

20 A From talking to the sales team about the  
21 opportunity and they talking to the client and the third  
22 parties, what I told you before.

00197

1 Q Right. And did you have information that  
2 indicated that SAP and Oracle were the two finalists?

3 A Yes.

4 Q And that PeopleSoft had been eliminated?

5 A I personally didn't really pay that much  
6 attention in that deal relative to early in the sales --  
7 the procurement cycle. I usually get involved in them a  
8 little later on in the sales cycle.

9 At that time I don't think I heard that  
10 PeopleSoft -- I'm sure PeopleSoft was looked at, you  
11 know, probably like Lawson, probably like outsourcing,  
12 all the other stuff. But in the heat of the battle when  
13 we had talked about this exhibit, when it got down to  
14 this kind of area --

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6 Q The deal closed November 30th. When was  
7 that -- when was that point in time when you became  
8 involved?

9 A Oh, in November, approximately November or late  
10 September -- November. Not really late September, more  
11 like November.

12 Q So that explains why in September the key  
13 competitor information on Ciandrini Exhibit 7 might have  
14 been incorrect, correct?

15 A That is a plausible explanation for it.

16 Q Any other explanation?

17 A It just was never changed.

18 Q It should have been changed to?

19 A Well, again, at this time, September 9th, this  
20 could have been the viable main competitor, okay. What  
21 we would need to do would be to look at this report  
22 closer to the actual conclusion date of this opportunity



00199

1 to see if it was updated appropriately.

2 Q Right. And where else would we look for  
3 information on this particular opportunity?

4 A For competitive --

5 Q Yes.

6 A Just where we're looking.

7 Q Right. You didn't meet -- did you meet in  
8 person with that CEO male we were talking about?

9 A I did.

10 Q You didn't meet in person with the Gartner CEO  
11 or Gartner -- high-level Gartner employees, did you?

12 A I did not.

13 Q Mr. Henley and Mr. Block did, correct?

14 A Yes.

15 Q And did you -- were you the primary person from  
16 your sales group preparing them for their meeting?

17 A No.

18 Q Who did that?

19 A I believe it was John Bouche.

20 Q Was there a meeting relating to this?

21 A There probably was a phone conversation. There  
22 could have been a meeting. I'm unaware.

00200

1 Q You didn't participate?

2 A No.

3 Q You delegated that to Mr. Bouche -- let me take

4 that -- let me withdraw that question.

5 How was it that Mr. Bouche ended up with that

6 responsibility as opposed to you would report directly

7 to Mr. Block?

8 A This opportunity falls in his geography. Keith

9 is out of Boston. John Bouche is out of Boston.

10 We're -- we communicate. Keith, Bouch, me are a team.

11 We kind of know how we work. Bouch handled it.

12 Q And do you think you met specifically with

13 Mr. Block and Mr. Healey?

14 A I don't know that, that they met face to face.

15 I don't know that.

16 Q Would it come up in one of the forecast calls

17 that they were going to meet?

18 A What would come up in a forecast call would

19 be -- would be a dialogue about strategy on the deal,

20 and from that strategy could be "We want to get Jeff

21 and/or Keith in front of these guys."

22 Q Have you had a conversation like that, strategy

00201

1 on the deal when we're in the range when we're

2 negotiating price and terms --

3 A Sure.

4 Q -- with any of these customer names, these

5 customer opportunities recently?

6 A Recently?

7 Q Pick one.

8 A Recently, Hallmark.

9 Q All right. Who was involved in that

10 conversation?

11 A Myself and Matt Mills and Matt Renner.

12 Q Okay. And when did that conversation occur?

13 A Sometime in November.

14 Q Has that opportunity closed?

15 A Yes.

16 Q And what was the result of that opportunity

17 closing, who got it?

18 A We did.

19 Q Okay. When did it close?

20 A Sometime in November. I'm not going to recall

21 the exact date.

22 Q Do you recall the product?

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1 A Yeah. It was H.R.

2 Q And what was the conversation you had with --

3 was it the two Matts?

4 A Correct.

5 Q What was the conversation? What do you recall

6 about the conversation you had with the two Matts?

7 A I recall that there was some slight preference

8 for Oracle. PeopleSoft understood that. They basically

9 came in and did what they normally do, which is lowball

10 the price to nowhere. And talking to them about steps

11 to find out about where we thought that could be so

12 that, you know, we didn't have to discount any more than

13 we necessarily needed to to get the deal and leverage

14 the positive differentiation that we thought Hallmark

15 saw in our product over the PeopleSoft product.

16 Q Did you discuss other competitors in that

17 conversation with the two Matts?

18 A No.

19 Q And how did you arrive at the dollar figure?

20 A Through negotiation with the client, painfully.

21 Q How many different levels -- do you know, as we

22 sit here today, the dollar amount that Oracle is going

00203

1 to derive from that opportunity with Hallmark?

2 A I will give you an approximate amount. I

3 believe it was a \$1.2 million transaction.

4 Q Do you know what is involved in that? We

5 talked about those four products that you sell. There's

6 license, there's maintenance and the two types of

7 professional services.

8 A That was comprised of license, services and

9 maintenance.

10 Q What was PeopleSoft offering?

11 A Excuse me?

12 Q What was PeopleSoft offering?

13 A I'm sure the same things.

14 Q And how was it -- and again, the dollar amount

15 that you arrived at in the end was what?

16 A I think, I think that the opportunity went for

17 1.2 million for license.

18 Q Okay. Where did Oracle start with pricing this

19 opportunity?

20 A I don't know specifically. I'm sure they

21 quoted them some slight discount off of list.

22 Q It was 1.2 million, correct, at deal's end?

00204

1 A We can validate that. That is my recollection.

2 Q Subject to check, the final amount is 1.2

3 million?

4 A Correct.

5 Q Okay. And prior to arriving at 1.2 million,

6 how does that painful negotiation with the customer take

7 place?

8 A Ask me something specific.

9 Q Who is calling the customer?

10 A The sales rep, the RM, the RVP.

11 Q Everybody?

12 A GVP. Just depends.

13 Q I understand. Either of the two Matts?

14 A Both of the Matts were involved in it.

15 Q Right. And do you know which is the individual

16 who said -- who conveyed to Hallmark "We will go to 1.2

17 million?"

18 A I believe subject to verification, it was Matt

19 Renner.

20 Q What was Matt's number before he gave the 1.2

21 million number? What was Oracle's number?

22 A The original number quoted to them?

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1 Q Start with the original number.

2 A To be honest, I will not recall what the

3 original number was.

4 Q Okay. So let's try to recall the number prior

5 to the 1.2 million number.

6 A Might have been -- from looking at this report,

7 what I would say is that they probably started somewhere

8 around 1.9 to \$2 million, as articulated in line 26. I

9 would presume that it was a step-down process of some

10 sort.

11 Q Meaning not all at once but a number of steps

12 to get to the 1.9 to 2 million ballpark down to 1.2?

13 A I would presume that to be the scenario.

14 Q Two or three steps?

15 A Again, subject to validation, approximately.

16 Q Okay. Were you involved in those steps?

17 A Yes.

18 Q How were you involved?

19 A We were just discussing strategy.

20 Q You were discussing the dollar figures, too?

21 A The dollar figures. But in these procurements

22 the buyer, right, is working multiple angles, right.

00206

1 They can talk to the -- they can get an offer from, in  
2 this instance, PeopleSoft. They can talk to an analyst  
3 like a Gartner. They can be talking to a third party  
4 implementer.

5 Q Right.

6 A Right. So there's a lot of strategy around  
7 trying to identify what you are competing against  
8 because you don't usually know very specifically.  
9 There's strategy around how you try to validate the  
10 value of differentiation that one vendor has over  
11 another.

12 Q Did that differentiation of value occur in this  
13 Hallmark case?

14 A It occurs pretty much in every sales cycle.

15 Q Do you recall it occurring in this case?

16 A Sure.

17 Q And how did that play out?

18 A In what respect?

19 Q How did -- how was it that in your  
20 conversations with the Matts you strategized how to  
21 differentiate your value?

22 A By going back to events in the sales cycle



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1 where we were told by the evaluation team that they

2 preferred the way we handled this particular function or

3 they preferred a particular feature.

4 Q Preferred to whom?

5 A To whomever they were looking at.

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8 Q Now, in strategizing with the two Mats in  
9 trying to win the opportunity for the Hallmark business,  
10 what did you talk about in terms of the strategy for the  
11 price negotiation?

12 A Pretty much what I just said to you. Validate  
13 that Hallmark sees value in the feature function  
14 differentiation, in the product architecture, in the --  
15 you know, preference to do business with Oracle versus  
16 another competitor, with the relationships that we have  
17 established, with the knowledge we had developed of  
18 their business.

19 Q I'm going to break that down to two -- all  
20 those reasons, I counted four. There's preference to do  
21 business and knowledge of business, and that goes to the  
22 expertise and the hard work your sales force has done

00209

1 throughout the sales cycle, doesn't it?

2 A Knowledge of their business, of Hallmark's

3 business becomes important. It could be references as

4 well, experience in that vertical.

5 Q Okay. And then there's the value associated

6 with the features and function and the product

7 architecture, and that certainly is part of the sales

8 cycle that you testified about earlier that goes to

9 meeting the customer's needs in terms of functionality,

10 right?

11 A Correct.

12 Q Okay. And so you strategized about those

13 things and your strategy revealed, with respect to the

14 customer functionality items, that what, that what, that

15 Oracle was what?

16 A That what we had heard from Hallmark was there

17 were areas of our functionality that they preferred.

18 Q Did you believe that?

19 A The reality of that situation is that there

20 are -- in most instances, there's something in

21 everyone's product that they prefer.

22 Q What did you tell Hallmark about your product

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1 that might have made them think that?

2 A Not necessarily that we told them. It would

3 have been something they would have seen in a

4 demonstration based on their requirements.

5 Q Right. Okay. What do you believe about your

6 functionality for Hallmark as compared to the

7 functionality of PeopleSoft for Hallmark?

8 A In this instance, I specifically don't know

9 what they preferred in Oracle's functionality versus

10 PeopleSoft.

11 Q I didn't ask that. What I asked is what you

12 believe about the functionality of PeopleSoft's offering

13 as compared to the functionality of Oracle's offering to

14 Hallmark, what do you believe?

15 A As the differentiation?

16 Q Yes.

17 A I don't really know.

18 Q Do you think they are the same?

19 A They are not the same. There are definitely

20 differences.

21 Q What are the differences?

22 A I would say the architecture of the products.

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1 Q What does that lead to for someone in

2 Hallmark's --

3 A It may or may not lead to anything.

4 Q Does it go more towards a preference for how

5 the software as opposed to absolute functionality versus

6 non-functionality?

7 A Fit, preference is in the eyes of the beholder,

8 the buyer.

9 Q No doubt that PeopleSoft, at that point in  
10 time, was viewed as by Hallmark as functional, correct?

11 You have no doubt about that?

12 A They wouldn't be where they were if they  
13 wouldn't -- if they weren't considered to be able to do  
14 the job is my opinion.

15 Q Right. And it's because of that that Oracle  
16 was willing to cut price, correct?

17 A It was really because in this particular  
18 instance, to the best of my recollection, PeopleSoft  
19 realized they were losing the deal and they were cutting  
20 their price to nothing to compete on price.

21 Q PeopleSoft was cutting it to nothing to compete  
22 on price?

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1 A Yeah.

2 Q But it was because PeopleSoft had already  
3 passed the functionality test in Hallmark's term that  
4 Oracle was willing to compete on price?

5 A I would restate that to say PeopleSoft was  
6 probably one of two finalists. As the decision leaned  
7 towards Oracle, PeopleSoft realized they were losing and  
8 they cut prices as a point of differentiation because  
9 they could not find other points of differentiation.

10 Q What did they cut the price to?

11 A You know, I don't remember. I could totally  
12 speculate, but I won't because I don't remember.

13 Q I don't want you to speculate. But we have an  
14 example here where you're going from 1.9, 2.0 to 1.2,  
15 and these are strategy decisions that you make with your  
16 North American Sales Groups, a day-to-day thing, and the  
17 two Mats have got to do it?

18 A Right.

19 Q Okay. So what range do you want to give me of  
20 where PeopleSoft is? If your final number that's going  
21 to be the win, retrospective is 1.2?

22 A I think they were probably somewhere between

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1 800 and a million.

2 Q And that was – now that I put it in that

3 context, do you recall now that that's where you and the

4 two Mats thought they were?

5 A I would say that that's approximately where we

6 thought they probably were in the deal price-wise.

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