3D VIEWER
CEI, Inc.

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Table of contents

I. Executive Summary

II. Description of Business & Product
   - The Company
   - The Entrepreneur
   - The product: "3D Viewer"
   - Management
   - Marketing and Sales Strategy
   - Financial

III. Problem Definition

IV. Market & Industry Analysis
   - Demographics
   - Market Size
   - Market Definition
   - Market Trends
   - Industry Analysis
   - Competition

V. Solutions & Recommendation
   - Solutions
   - Recommendation
   - Implementation

Appendix
I. Executive Summary

The 3D Viewer is a software developed by CEI, Inc. that has the potential to revolutionize the way desktop applications are developed, viewed and utilized by transforming the two-dimensional computer screen into a three-dimensional cube, displaying multiple screens at one time, and allowing the user to navigate through and rotate the cube to suit their needs. Currently, CEI, Inc. has multiple versions of the 3D Viewer, and the 3D Viewer Developer Toolkit which enables website developers to build their sites with the 3D Viewer and functionalities in mind. In the five years since its initial testing phases however, CEI, Inc. has not been able to successfully market and sell the product. The following report will address the past and current state of CEI, Inc., and the 3D Viewer with regards to its finances and marketing strategy. It will also provide CEI, Inc. with a recommendation to determine what their best option is to ensure the future success of what is an innovative and exciting product.

There are basically three paths that CEI, Inc. can now take for the sales and marketing of the 3D Viewer. The first is to follow a business model set forth by companies such as Adobe, with their Acrobat Reader and Publisher. CEI, Inc. would distribute the basic 3D Viewer free of charge to the public, with the hopes of creating the demand for the more sophisticated applications. For example, when users were made aware of the benefits of the Adobe Acrobat Reader, it forced companies to purchase the Publisher in order to produce documents for customers to be able to read. Similarly, when users are made aware of the numerous functions of the 3D Viewer, it will force application developers, and website builders to begin to build their applications and sites with the 3D Viewer in mind. The next option is to partner up with a few developer companies and incorporate the 3D Viewer software into their products, e.g. Microsoft Exchange Server, SQL Server etc. The final option is to execute a quick exit strategy and sell the product to a major developer such as Microsoft.

The initial rollouts of the 3D Viewer software came at the end of the dramatic downfall of the dotcoms, so there were few investors who wanted to hear about the “next big thing” in the industry. A small investment from the founder Harry Powell’s personal funds was the only fuel for the development and marketing of the product. At this point in time, the computer technology industry is growing at a rampant pace with website and desktop applications becoming increasingly sophisticated. Right now is an excellent time to heavily market this product, as it will prove to be a useful tool to all kinds of companies along a vast spectrum of industries.

According to our analysis of the industry, the market and the financial projections, it is our recommendation that CEI, Inc. proceed with our option #1 and market the product on its own following the business model of companies such as Adobe. While our financial projections show a larger net profit through a partnership with a company such as Microsoft, we are skeptical about how realistic a partnership such as this is. This product will no doubt prove useful to so many users, and we feel there is a great chance the income generated from this product will far exceed our projections.
II. Description of Business & Product

The Company

CEI, Inc. ("CEI" or the “Company”), a Pennsylvania corporation, was founded to develop and bring to market, a software that will revolutionize how desktop applications and the Web are developed, viewed and utilized. The Company’s mission is to develop the industry standard for visual interaction with computer-generated data, in every information transfer platform.

CEI is developing customizable visual interfaces that will provide users with fast and efficient access to the Internet and desktop applications. Its products will dramatically improve the desktop environment, enabling users to quickly navigate through applications and Websites.

The Entrepreneur

Harry Powell, President, Chief Executive Officer, and Chairman of the Board of Directors. Mr. Powell, the inventor & founder of CEI Inc, has extensive experience in both management and three-dimensional technology. Before co-founding CEI, he owned and operated Harry Powell & Associates, P.C., an award-winning architectural firm, and was the CEO of the Philadelphia Virtual Reality Center, LLC, a virtual reality facility in the architectural, engineering and construction markets. Mr. Powell’s work in virtual reality has been recognized worldwide and he has been featured in several prestigious professional journals. He has shared this expertise with faculty and students at several universities and professional conferences in the U.S., Singapore, Israel, Norway, Canada, and Great Britain. In 1995, Mr. Powell was recognized by Business Philadelphia magazine as one of the “Top 100 People to Watch,” and in 1999, as one of Philadelphia Business Journal’s “Top 40 under 40” business leaders. He holds a Bachelor of Architecture degree from Temple University, and is a licensed architect in numerous states.

The Product: "3D Viewer"

CEI’s flagship product, 3D Viewer™ Interface, transforms the current two-dimensional desktop view into an engaging, three-dimensional, interactive room. Currently, applications and Web pages can only be accessed in a sequential manner. Although it is possible to view such items in a tiled, flat, two-dimensional manner, no software currently exists to allow the user to establish and maintain a three-dimensional environment. Through the use of 3D Viewer™, a user may view in excess of twenty-five web pages or applications simultaneously, with the ability to alter the placement of each application. The visual interface will dramatically improve the desktop environment and provide users with efficient and intuitive access to the Internet. The 3D Viewer™
Interface will enable web surfers to open up several sites simultaneously and save six websites at the same time into 3D Viewer™ for future viewing. Users will be able to customize and save multiple views as well as send a saved cube to a friend. Power users will be able to monitor 25 websites, or more, at the same time. Utilizing CEI’s development tools, website owners can also design their sites so that the user receives significantly more information at once in a more meaningful and engaging manner than is currently possible. In addition, CEI has an embedded web-based module that can track Internet desktop usage, providing useful information to online retailers and other Internet-based companies. Additionally, Websites will be able to push a constant stream of customizable data to the users active desktop, through a licensing agreement with a third party.

The Company enlisted the services of frogdesign Inc., the award winning design firm known for creating the design for the original Sony Trinitron and Apple Macintosh, to design the look and functionality of the user interface for the Company’s products. The alpha version of 3D Viewer™ was released for testing in November 2000 and the beta version was released in mid-February of 2001 with 25,000 users subscribed as of March 15, 2001, thereby hitting their target in less than a month.

While this is the first product introduced by CEI, the Company plans to introduce applications that will enable enterprises to customize employee’s desktops to take advantage of the three-dimensional view. For example, a customer service representative will be able to gain simultaneous and instant access to a range of information that could include:

- Prior customer calls;
- History of product related service issues;
- Product warranty information;
- Product manual; and
- Current inventory of parts

In this example, improving the efficiencies and productivity of data access for the customer service representative will not only improve customer satisfaction levels, the efficiencies gained will result in lower costs to the enterprise.

The Company’s goal, to maintain its position as the global leader in interface design, is pursued by utilizing CEI’s patented and proprietary technology to provide a steady stream of product innovations. Projects currently in research and development include developers’ tools for designing software and websites that can take advantage of 3D Viewer™. Additional interfaces adaptable to the handheld market and interactive TV are anticipated. Projects currently under consideration include developers’ tools for designing software and websites that can take advantage of 3D Viewer™ technology and interfaces adaptable to the handheld market and interactive TV (see Figure 4.)

Products and services offered by CEI, Inc. are as follows:
3D Viewer™ Viewer

The 3D Viewer™ Interface enables Web surfers to open up several sites simultaneously. Users will be able to zoom in and out, rotate left, right, up and down, as well as expand panels to create cubes within cubes with the unique NavWheel™ navigation tool. Users have the ability to enter adjacent cubes, print panels and view cube history. A 3D Viewer™ enabled calendar site could display the month on one wall, the day on another, a to-do list on a third wall, contacts on the fourth, and incoming e-mail on the fifth. A sixth site can be located on the rear wall not visible, but loaded so that with a click of an icon the room would rotate to show that rear wall on the top, bottom, right, or left wall, at the user’s discretion.

3D Viewer™ Version 1.0

This includes all the features of the 3D Viewer™ plus increased functionality to include storing cubes on desktop or taskbar and storing complex expanded cubes that contain other cubes as favorites. The user will have the ability to email cubes to friends and co-workers as well as specifying the e-mail provider and search engine. The look of the 3D Viewer™ can be changed by selecting from various “skins.” Additionally, the user will have the ability to join any two panels in any direction so they work together and swap content within a cube from one side to another.

3D Viewer™ Version 2.0

The 3D Viewer™ Plus 2.0 Version has all the features of Version 1.0 with new features to include the ability to pin and join panels, display models and effects within the space of a cube and link to an expanded cube from within a website. The user may select the zoom style and have the ability to jump to a favorite page. The user-selectable expansion modes have been extended to include first four page links and same page as original.

3D Viewer™ Version 3.0

Includes all the features of Version 2.0 plus the ability to view desktop applications in addition to Web pages.

3D Viewer™ Developer Toolkit - Version 1.0

The 3D Viewer™ Developer Toolkit - Version 1.0 will enable professional Website developers to create a 3D environment on their own Websites. By implementing this technology, a Website developer can establish a logical way in which visitors view the site. The developer will be able to create “lobbies” and “rooms” so visitors will navigate the site in the most relevant way, as determined by the Website owner and developer. Additionally, Systems Integrators can use the tools to provide appealing, intuitive
interfaces to custom designed multi-component software solutions for their clients. This toolkit features such functions as drag and drop capability and insertion of cube and model tags into html documents.

3D Viewer™ Developer Toolkit - Version 2.0

The 3D Viewer™ Developer Toolkit - Version 2.0 will enable software professionals to tailor the appearance and interaction of applications on computer desktops to enhance productivity of employees. Using the toolkit, organizations in different industries can respond to unique needs of their employees.

Other Services

In addition to the sale of its 3D Viewer™ products, CEI will also provide services to its clients. Such services include customizing interfaces for corporate applications and the training and licensing of professional website designers through third parties. Furthermore, the web-tracking module built in to each interface is capable of providing revenue from data mining in the future.

Management

CEI’s management incorporates the critical factors for this type of venture: technical, operational and entrepreneurial spirit and experiences. In addition to its management team, CEI has added industry leaders to its Board of Directors, to assist in the strategy direction of the Company. The company’s organizational chart is displayed in the Appendix B.

Marketing and Sales Strategy

To gain widespread adoption and market acceptance of the interface, the Company created a campaign to induce viral marketing and brand recognition. A pre-alpha version of the product was introduced at the annual Comdex show in November 2000 and the product was selected to participate in the highly competitive DEMO show in Arizona in February 2001. In March, the 3D Viewer™ interface was selected as one of three finalists for “The Best of Show” Internet World Spring 2001 in the Client Software category. The 3D Viewer™ interface has received favorable press coverage to date from publications including Forbes, Red Herring, Wired and USA Today. The Company has invested in several efforts of PR campaign, which is expected to yield significant interest in the 3D Viewer™ technologies. The first phase of the beta program was successfully launched in March 2001 and limited to 25,000 users. The company reopened its beta phase II program in early April and released its Gold version on May 1, 2001.
The Company has targeted several of the most active Websites for promoting the product to their users. CEI began to license the 3D Viewer™ technology to these companies in the second quarter of 2001. They believe market acceptance and branding will increase the demand for 3D Viewer™ version upgrades from consumers, which will in turn increase demand for Web based organizer toolkits by integrators and portals.

CEI has considered licensing its 3D Viewer™ technologies to major portals, enterprises, and software developers and integrators. To gain access to large enterprises the Company utilizes the four most popular channels to distribute its products: Direct Sales, Distributors and Resellers, Value Added Resellers (VAR’s) and Original Equipment Manufacturers (OEM’s.) The Company is in discussions with several enterprises and anticipates signing at least four agreements by the end of 2005. In early March 2001, an experienced Sales and Marketing professional from the San Francisco Bay area was retained to head up the sales and marketing activities on the west coast.

Financial

Initial capital invested to start-up the company was about $3.5M, which was invested out of the founders’ personal funds. In July 2005, CEI raised $2.75 million of capital in exchange for its Series A Preferred Stock and seeks $10 million in Series B financing. The funding will enable the Company to accelerate all corporate functions and put the Company in a “fast track” mode that will position CEI to gain a substantial share of the market in the next six to nine months. Specifically, the Company will use the proceeds to accelerate new product development, increase the Company’s management depth, and implement aggressive sales and marketing plans.

The Company anticipates generating revenue in the second quarter of 2005 and achieving breakeven during the second quarter of 2006. Its revenue model has several components for the three year period presented: application sales, enterprise licenses, and custom development of interfaces and applications, and fees for product maintenance and support. The Company’s financial projections are based on conservative assumptions regarding the use of the Internet, computers, hand held devices and the rate at which CEI will be able to penetrate the market. Based on these and other assumptions, CEI proposes revenue of $52 million by 2007. The company’s Revenue and profit projection for the next three years is summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$2,666</td>
<td>$20,409</td>
<td>$52,137</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>1,188</td>
<td>15,891</td>
<td>42,751</td>
</tr>
<tr>
<td>Gross Margin %</td>
<td>44.6%</td>
<td>77.9%</td>
<td>82.0%</td>
</tr>
<tr>
<td>EBIT</td>
<td>($4,013)</td>
<td>$2,672</td>
<td>$19,491</td>
</tr>
<tr>
<td>Net Income %</td>
<td>(150.5%)</td>
<td>13.1%</td>
<td>37.8%</td>
</tr>
</tbody>
</table>

**Please note: The above projection is the revenue and profit projected by the company for 2005 to 2006.**
III. Problem Definition

After a few years of operations the product didn’t take off. Some of the possible reasons for not succeeding at the desired rate are:

- At the beginning only $3.5M were invested out of the founders’ personal funds. To launch a successful marketing attack on the computer user world a much larger sum will be required.
- 4 years ago in the midst of the DOTCOM meltdown, no one wanted to hear about new investment and product development. Today, the entire market is starting to pick up and possibilities are, again, endless.
- The level of sophistication users had gotten used to is far greater than what it was 4 years ago. Users are now more ready to use such a product.

3D Viewer is obviously superior at user interface design and it has immense capabilities. With the $10M they plan to raise and the new market conditions, the forecast for 3D Viewer’s successful break into the market seems a lot more feasible. But the question remains, how should the company proceed?

The company has therefore, hired a group of consultants to look into this issue and propose solutions that will improve the company’s current situation.

IV. Consultant’s Research Findings

Market & Industry Analysis

Demographics

The data below is derived from the World Factbook as of October 2005.
US Population: 295,734,134 (July 2005 est.)
Age Structure: 15-64 years: 67% of total population (male 98,914,382/female 99,324,126) - Assuming the most users of computers and Internet are within the ages 15-64
US GDP (Purchasing Power Parity): $11.75 trillion (2004 est.)
GDP per capita: purchasing power parity - $40,100 (2004 est.)
Population above poverty line: 88% (2004 est.)
Computer & Internet users: 159 million (in 2002)

Market Size

The market for 3D Viewer is huge because, according to the data above, about 67% of the total US population are users of computers and Internet. There are almost 200 million
users of Computers and Internet in the US alone. The market for 3D Viewer is, however not limited to the US. It is a very versatile product that can be used all over the world.

**Market Definition**

*Individual Users*: Individuals that use computer applications and Internet and want more interactive desktops with endless possibilities. According to surveys conducted by Nielson/NetRatings, the average Internet user spends 30 minutes per online session, yet spends only 50 seconds on any one page.

*Companies*: Companies that seek to make their websites more interactive and user-friendly. CEI’s development tools will enable a company to “pin” their Website to a users desktop. By enabling certain pages to remain open and active, users will be able to take advantage of the dynamic nature of the Web and Web owners will improve their sites stickiness.

**Market Trends**

New software, technology, and the Internet have played a catalytic role in the tremendous and unprecedented growth in collaboration, commerce, and information access on the desktop. This revolution has rapidly transformed the way the world conducts its affairs as both businesses and consumers embrace the desktop as an essential tool.

Increasingly, workers are asked to work with and assimilate data from multiple sources. Time is lost as employees move from one application to another to access the tools and data they need to perform their job.

Additionally, navigating between the Internet and desktop applications is a slow and frustrating process. The exponential growth of applications and Web content has necessitated the development of flexible and dynamic interfaces, capable of delivering rich media and robust applications. Today’s conventional tools and interfaces simply are not adequate to address enterprise and consumer’s needs.

**Industry Analysis**

New software, technology, and the Internet have played a catalytic role in the tremendous and unprecedented growth in desktop access to information. Software applications and the Web are growing at an explosive rate. According to the Industry Standard, the Web is growing at a rate of 1.9 million pages a day. Continued exponential growth of applications and Web content, improvements in broadband and the widespread adoption of wireless devices will necessitate the development of flexible and dynamic interfaces capable of delivering rich media and robust applications. This revolution is rapidly transforming the way the world conducts its affairs as both businesses and consumers embrace the desktop as an essential tool. Software applications combined with the power
of the Internet and the desktop has increased efficiency and timeliness while reducing costs and creating value.

Companies like Real Networks (RNWK) and Adobe (ADBE) have proven the viability of a business model and product mix which includes applications distributed at little to no cost to the customer (Real Player and Adobe Acrobat Reader) and an array of premium priced professional tools necessary for the development of the applications (Real Player Plus and Adobe Acrobat Pro.) As a result of this strategy Real Networks has an installed base of 135 million users for its Real Player. Adobe has had similar success and as of the end of 1999 users had downloaded in excess of 110 million copies of its Acrobat Reader programs. Additionally, according to Adobe, annual sales of its authoring tools more than doubled from $58 million in 1998 to $129 million in 1999 as a result of Adobe’s introduction of a new version of the Acrobat Reader in the second quarter of 1999.

Off the shelf software packages are evolving into components that consumers and businesses then integrate into their own distinctive system. According to the Gartner Group, 60% of all applications development will be component based by the year 2005. CEI’s technology is an ideal solution to provide the framework for tying disparate systems together. An example would be a typical sales organization; upon turning on the desktop, the person would have a suite of applications open at once; a business calendar, e-mail, internal company software to track progress of sales, Internet browser for news, sales lead software, and a finance page to check on the market. Utilizing the 3D Viewer™ Interface, upon start-up, all applications would be launched and available simultaneously, with current active pages in view.

The software is readily adaptable to the burgeoning field of Customer Relations Management (“CRM”). Business Week predicts the market for CRM based software applications will grow at a rate of 50% reaching $9.8 billion by the end of 2005. A recent survey conducted by the Hurwitz Group found that nearly all of the 500 respondents planned to spend half of their IT budgets on CRM software.

According to an article published by the Gartner Group, Royal Bank installed a CRM system and has found that the length of the customer calls has been dramatically reduced. In Royal Bank’s words “a conversation that might have taken 15 minutes before now takes 5 minutes.” Their CRM interface provides the following information access to its Account Managers:

- List of accounts registered to the customer and personal details including names and ages of children;
- History of calls received from a client for information on loans, lost credit cards, etc.;
- The bank’s current rates for various loans and investment vehicles;
- Scripts for the Customer Service Representative to up-sell the customer on various bank products; and
- Flags for customers with user profiles that match those of customers that the bank
has determined are thinking of switching banks

Reduction in CRM time spent solving a customer’s problem not only decreases CRM costs to the corporation, the access to additional data can turn a customer support call into a sales call and drive targeted sales to each caller.

We believe that the market for 3D Viewer™ is a combination of the $10 billion market for application and construction tools (see Exhibit 1), the market for software components, and the market for plug-ins and customizable interfaces like Real Audio Player and Enfish’s personalized portal (see Exhibit 2). It is well situated to provide the dominant interface that ties together the diverse components of a multi-application suite.

**Competition**

Several companies are in various stages of development of three-dimensional interfaces. Virtual Reality Marketing, Ltd. released a beta version of its Buzz3D, and ClockWise Technologies, Ltd. released Win3D. Both products offer a server-dependent three-dimensional interface. The user enjoys a 3D environment in which one can move in rooms and hallways and select applications or Websites by clicking icons on walls and opening drawers. However, once the user clicks an icon and the application or Website is activated, the 3D environment disappears.

Other companies making a foray into the three dimensional environment have introduced tools that enable the creation of three-dimensional objects within flat windows and Web pages. These companies do not create a 3D environment.

There are also companies with technology that allow the user to customize their own personal desktop portals. Companies such as Enfish, NeoPlanet, Opera, Octopus and InfoSpace provide such a product. These products enable the user to have several windows open simultaneously, but they are viewed in a two-dimensional manner and are simply “tiled” browsers. Enfish, for example, allows the user to create an “enfish onespace” by selecting the user’s favorite Websites that can be viewed simultaneously. The information on each page is limited, as there does not exist a 3D capability.

CEI, Inc. is the only company that can currently create and maintain a 3D environment in which the user can view one, five, twenty-five screens at any given moment.
V. Consultant’s Solutions & Recommendation

Solutions 1 – Focus on marketing, R&D and partnership

Stick to the original strategy. Freely distribute the 3D Viewer Player version to the user community and charge developers and Internet site builders a premium for the Publisher version.

This strategy follows the very successful paths taken by Macromedia with its Flash technology and Adobe with its own Acrobat reader and Publisher. When users, and in this case – Internet users, get used to a certain technology they will start demanding it in applications the use, and in this case Internet sites. 3D Viewer Player can be downloaded as a browser plug-in by users who in turn will come to expect the technology to be used by sites they surf to. Site builders, wanting to attract the maximum surfer volume they can, will buy the Publisher version for a premium in order to develop 3-dimensional content. Users with conventional browsers will be directed to download the 3D Viewer Player to view the site at maximum experience and the chain goes on…

To increase sales revenue, CEI will focus on its marketing strategy and R&D to reach more potential market, and improve the service CEI can provide to customers.

Table 1: Financial Projection based on implementing Solution 1

<table>
<thead>
<tr>
<th></th>
<th>12/31/06</th>
<th>12/31/07</th>
<th>12/31/08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>63,944,018</td>
<td>80,010,979</td>
<td>110,929,471</td>
</tr>
<tr>
<td>Total cost of sales</td>
<td>35,424,986</td>
<td>44,326,082</td>
<td>61,454,927</td>
</tr>
<tr>
<td>Gross profit</td>
<td>28,519,032</td>
<td>35,684,896</td>
<td>49,474,544</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total sales and marketing</td>
<td>10,450,021</td>
<td>10,554,521</td>
<td>10,765,612</td>
</tr>
<tr>
<td>Total research and development</td>
<td>8,261,360</td>
<td>8,343,974</td>
<td>8,510,853</td>
</tr>
<tr>
<td>Total general and administrative</td>
<td>5,063</td>
<td>5,114</td>
<td>5,216</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>18,716,444</td>
<td>18,903,608</td>
<td>19,281,681</td>
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<tr>
<td>Operating Income</td>
<td>9,802,588</td>
<td>16,781,288</td>
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<tr>
<td>Net interest income (expense)</td>
<td>50,865</td>
<td>51,374</td>
<td>52,915</td>
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<tr>
<td>Net (loss) income before taxes</td>
<td>9,751,723</td>
<td>16,729,914</td>
<td>30,139,948</td>
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<tr>
<td>Total taxes</td>
<td>3,315,586</td>
<td>6,357,367</td>
<td>10,548,982</td>
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<td>Net (loss) income</td>
<td>$6,436,137</td>
<td>$10,372,547</td>
<td>$19,590,966</td>
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</table>

Note: The above financial projection is based on the company’s current financial data and the proposed increase as a result of implementing Solution 1.
Solution II – Licensing 3D Viewer

Sign up with a few developer companies and incorporate 3D Viewer into their product. E.g. Microsoft Exchange Server, SQL Server etc. The focus of this will be to get the product out by seeking to partner with these companies. A few strategic contracts with software developers can be worth a lot. Signing up with software giants such as Microsoft, Adobe or Linux can be a key to spreading 3D Viewer technology. The advanced technological design allows 3D Viewer to be implemented not only in Internet browsers, but also in any application important enough to use more of the usual shred of the user’s attention. 3D Viewer can enhance productivity on work with databases, with office applications such as Outlook, with design product such as AutoCAD and the list goes on and on.

We could get 3% of Microsoft’s total revenue of sales of Microsoft Exchange Server, once 3D Viewer is successfully incorporated into the MS servers as an optional view. CEI will give up the existing operation of other parts to exclusively work with Microsoft. Therefore, revenue will be solely from sales of Microsoft Servers.

Table 2: Financial Projection based on implementing Solution 2

<table>
<thead>
<tr>
<th></th>
<th>12/31/06</th>
<th>12/31/07</th>
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<td>Sales*</td>
<td>296,550,000</td>
<td>341,032,500</td>
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<tr>
<td>Total cost of sales</td>
<td>164,288,700</td>
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<td>Gross profit</td>
<td>132,261,300</td>
<td>152,100,495</td>
<td>174,915,569</td>
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<tr>
<td>Operating expenses:</td>
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<tr>
<td>Total sales and marketing</td>
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<td>Total general and administrative</td>
<td>5,063</td>
<td>5,114</td>
<td>5,216</td>
</tr>
<tr>
<td>Total operating expenses</td>
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<td>18,903,608</td>
<td>19,281,681</td>
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<td>Operating Income</td>
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<td>155,633,889</td>
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<td>Net interest income (expense)</td>
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<td>51,374</td>
<td>52,915</td>
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<tr>
<td>Net (loss) income before taxes</td>
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<td>133,145,513</td>
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<td>Total taxes</td>
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<tr>
<td>Net (loss) income</td>
<td>$74,906,034</td>
<td>$82,550,218</td>
<td>$101,127,633</td>
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</tbody>
</table>

*Note: The above financial projection is based on the company’s current financial data and the proposed increase as a result of implementing Solution 1.
*Additional data is also generated from revenue of server and tools division of Microsoft in 2005 annual report.
Solution III – Sell out completely to a development company.

In view of the huge potential CEI bares, selling to a major software developer might be a solution given the price offered will exceed the projected revenue from either option 1, option 2, or a combination of both.

Consultant’s Recommendation

From a variety of analysis for CEI, we believe that there will be enough room for CEI to grow. The main problem for CEI is the lack of awareness. Therefore, in option 1, we will focus on marketing and reposition our product - 3D Viewer as multi-functional browser for professional in many different kinds of fields, such as graphic design and architecture. Besides, if we could successfully partner with Microsoft, that would be the best distribution system for CEI, and would increase our revenue rapidly. Thus, even though CEI could sell the business at a profitable price, we think that CEI will be more profitable from keeping operating by applying new strategies.

CEI’s Conclusion

The company, after several considerations, would like a second opinion. They have, therefore, hired you as a consultant to analyze the issue and recommendations of the first group of consultants and propose your own strategy for improving the company’s current situation.
Appendix A

Figure 1

**Sales of Application Design and Construction Tools**
*(sales in billions)*

![Bar graph showing sales of application design and construction tools from 1999 to 2004.](attachment:image.png)

*Source: IDC*

Figure 2

**Plug-Ins used to access Web**
*(based upon approx 21 million Netscape users)*

![Bar chart showing the percentage of plug-ins used to access the web.](attachment:image.png)

*Source: SuperStats.com*
Harry Powell  
Chairman of the Board  
President and CEO

Cheryl Sciecinski  
Executive Assistant

David Zelig  
Treasurer and COO

Lisa Cimino  
Admin. Assistant

Joe Ogletree  
Customer Support

Samantha Snyder  
Customer Support

Alan Feltoon  
Director, Secretary,  
Chief Business Strategist

Chris Lotz  
VP of Sales

Ray Freeman  
Director of Software  
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Bill Santos  
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