

Command: print 43

Date: Mon Nov 03. 1986 10:08 am EST

From: Lynn McLeod / MCI ID: 300-1741

To: * Leslie Larson / MCI ID: 246-6530

Subject: RECAP. 10/29/86 Customization Team Meeting

To: Product Life Cycle/Customization Team

Danny, Mary, Diane, Linda S., Leslie

From: Lynn

CC: Signe, Nancy, Janelle, Dana G., Val, Steve C., Marcia

Date: 11/2/86

Re: RECAP. 10/29/86 Meeting

Summary: The Customization Team met and discussed the process and metrics we should use when evaluating proposed custom versions of SPC products. We agreed to circulate the rough proposal we developed for comments, and provide the final proposal to the management team which will be updating the PLC in the near future.

Team members and CC List:

The following is a preliminary proposal for an amendment to the Product Life Cycle document. This amendment covers the process and guidelines for doing custom versions of SPC products. Your comments would be appreciated. Please forward your inputs to me by the end of the week, 11/7/86.

Users have become more demanding as their choices have expanded. As a result, we are getting more and more requests for special enhancements to our products. The following set of definitions and steps are intended as guidelines for deciding to do custom versions, and for managing the process.

1. CATEGORIES

There are two basic categories of custom products:

a. Retail versions are special changes to products that roll into the standard retail products under a new version number (i.e., 1.01, 1.02). Typically, this category covers additional peripheral or system support, or conversion utilities for other software.

A key difference from the other type of custom product is that there are no changes to the manual, package, or disk label. Also, other customers might benefit from the change.

b. Custom versions are changes that cannot roll into the retail product because they do not apply to other customers. This type involves a separate SKU, and is treated like an OEM sale.

Because of the Lab, support and manufacturing costs associated with custom versions, our objective is to avoid them unless very profitable. To avoid financial

risk, a custom version will only be developed and built to a P.O., just as if it were an OEM sale.

2. DISTINGUISHING VERSIONS

Both types of custom products must be distinguishable from other versions.

- a. Retail versions will be distinguished two ways. The program itself (by typing "V" at the main menu), and the slipcase (on the bottom) will show the version number. All of the product lines should use the same method for identifying versions.
- b. Custom versions will have a unique version number, using the same identifiers as retail, plus they will also have unique disk labels and, probably, manuals. Depending on the customer, there may be other differences from the retail version.

3. IMPACT

Both the teams and the sales force must understand the full impact of custom work on the long term profitability of SPC.

- a. Pro - Increased sales
Long-term strategic partnerships
Strong relationships with corporate evaluators
- b. Con - Opportunity costs (takes resources away from new products)
Resource conflicts
Increased costs and expenses - all departments

4. APPROVAL PROCESS

The process for approval of a special retail or custom version will be:

- a. The RSM starts the process, and is the champion for the special version. Requests for custom work that come into SPC through other departments, i.e., Product Support, should be funnelled to the RSM.

The RSM assembles the following information for their proposal to the Product Manager:

- i. Name of company
 - ii. Potential volume (forecast)
 - iii. Timing of shipments (forecast)
 - iv. Prioritized list of requested changes (as detailed as possible)
 - v. RSMs judgement on whether the changes will make a difference to the sale, and which items in the list are key to the sale.
 - vi. An understanding with the customer that they will have to purchase Premium Support.
- b. The Product Manager reviews the proposal with the RSM and does the first screening. This may involve checking for workarounds or misunderstandings about the product, or clarifying the request directly with the customer.
 - c. The Section Manager sizes the project, reviews the

financial and strategic trade offs, and makes the final decision whether to approve the project. This may involve looking for alternatives such as outside consultants, or reviewing the technical feasibility and schedule impact with the Project Manager and Lab Manager. The Section Manager is responsible for getting inputs from the appropriate people.

d. If approved, the project is put on the R&D schedule so it will be correctly forecasted throughout the company, and the Product Team takes over the implementation.

e. When the retail version is available to ship, the RSM takes over as champion, personally submitting the initial and following orders. The dealer, or customer if direct, must order by version number.

5. EVALUATION

The metrics for evaluating whether a proposal will be reviewed are:

a. 1st screening (Product Manager):

A proposal will be reviewed if it involves :

- i. A site license
- ii. A \$75,000 PFS sale or a \$100,000 Harvard sale
- iii. DCA installations
- iv. Issues of important technical interest (including bug fixes for major customers)
- v. Issues of strategic importance to future sales

b. Final screening - The profitability of the proposal will be compared to the profitability of the alternative use of the resources (the opportunity cost).

6. MANUFACTURING

Manufacturing makes the decision whether to build vs. reduce a new retail version.

7. GETTING IT TO THE CUSTOMER

Setting up an agreement with the customer/dealer to get the retail version to the customer is the responsibility of the RSM.

a. Custom versions, those made specially for one customer only, will only be built to a P.O., and will be shipped direct to the customer. This is the easiest case for the RSM.

b. Retail versions, those rolling into the standard product inventory, are more complex to manage.

Before the team begins work on the special version, the RSM should have an agreement outlined with the customer/dealer to manage the purchase and distribution of the special version - both from SPC to the customer, and within the corporation.

- i. Direct: If the product is being sold direct, then manufacturing will ship direct. This is the

simplest case for the RSM. Later purchases should also be purchased direct, if possible.

ii. Dealer: If the product is being purchased through a dealer, manufacturing can either:

- Ship direct to the customer, and the dealer receives a commission from SPC.
- Ship the product to the dealer, and the purchase goes through normal retail channels.

In all cases, the customer must understand how to order future volumes. The RSM is responsible for explaining why we cannot guarantee a special version through the normal retail channels because of the shipment lag time.

8. SUPPORT

To help to defray the added expenses of special versions, and to insure that the customer gets the right version, we will require that the customer purchase Premium Support. The RSM should evaluate whether the customer needs more than one contact person, depending on whether their internal user support is centrally or decentrally organized.

Pricing of Premium Support is based on the number of contacts. The RSM should work with the Product Support manager to put together the optimal package for the customer.

The usual 90-day warranty applies for the customer who is buying a special version. Should they get the wrong version, either by our error or because they bought the product through retail, we will replace the disk with the correct version free for 90 days, or for the standard replacement fee thereafter.

Command: read 44

Command: print 1

Date: Tue Nov 04. 1986 6:44 pm EST

From: Barger Robertson / MCI ID: 297-4279

TO: * Leslie Larson / MCI ID: 246-6530

Subject: RE: Dupont order for PW

It would be fine to contact DuPont. My contract there is:

Rodney Grumbine
Field Sales Automation
(302) 992-5160

I am scheduled to follow up with him this week (follow up to a meeting I had with him 2 wks ago) so I will mention that you will be calling next week.

Command: create