

TO:

DATE: February 7, 1972

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FROM: Larry Portner

DEPT:

SUBJ:

## INTRODUCTION

The Operations Committee has asked me to evaluate a PDP-11 group proposal concerning the way we deal with our software products. Presented with the opportunity to evaluate the proposal (prepared by Don Alusic and Bob Anundson), I would like to broaden the scope and reconsider our entire approach to the development and marketing of software-related services.

The concept of treating software like a product has many implications; like the more familiar hardware product, we must be prepared to discuss all the costs, including development (engineering), distribution, installation, and warranty. We must consider the competitive nature of the product. We must define the quality and quantity of our support, and provide the mechanisms for maximizing profits through lower support costs. We should take advantage of the profit opportunities available when additional services are required; we should package the software product modularly so the customer can purchase only what he needs, and we must provide only what has been purchased. We should use our software and related services to enhance our competitive position; we should give our salesmen the flexibility to put together the most effective total package of hardware, software and support.

From a mechanical standpoint, we must provide a uniform product identification scheme that will apply for all products across the company, and can be dealt with uniformly by order processing, the salesman, the customer, the Program Library, Software Support, and other involved organizations.

In summary, we propose to treat software and software-related services as products, and establish the budgetary, financial and organizational basis for doing so effectively.

A review of the broadened proposal is attached; it was prepared by Mel Woolsey, Hank Spencer, David Stone, Dave Schroeder and myself for your consideration.

We propose to treat software and software-related services as products, and establish the budgetary, financial, and organizational basis for doing so effectively, in time to budget appropriately for FY '73. To do so, we must:

1. Work with the Product Lines to establish prices for existing and planned software products.
2. Budget software installation and warranty on the basis of number of units to be shipped and a defined support commitment.
3. Establish a uniform product identification system for all products.
4. Create a viable software licensing posture as part of our standard terms and conditions.
5. Establish a subscription service to allow the customers to buy a series of updates, newsletters, and other relevant information.
6. Establish the accounting and administrative systems to track costs, control expenses, and register profits.

What are the benefits?

1. Recover development and support costs by charging for software and related services.
2. Improve our competitiveness in the iron Market by pricing and selling software products and services separately.
3. Quantified support obligations allows minimized support cost, increased profit and better management of support costs.
4. Limit costs of supplying free services and increase profit potential - limit use of software to those who help pay for it.
5. Licensing of software products discourages the plug compatible market.
6. Limit support expenses to those who paid for the license and are entitled to the support.
7. Improve account servicing and responsiveness.

8. Provide modularized expense concept - buy as much or as little as you need: software, hardware, services, systems.
9. Uniform product naming unifies the DEC image.
10. Ordering and order processing is simplified by naming of software products, services and systems.
11. Software-related items can get into the standard waiver system to simplify distribution problems and control them better.
12. Uniform corporate system allows uniform terminology and administration.
13. Provide a financial measure of Programming Dept. performance.
14. Encourage more competitive approach to software development.
15. Encourage optimization of resource allocation to
  - testing
  - documentation
  - support
  - customer training
  - specialist training
  - distribution
  - etc.
16. Single individual responsible to Product Line provides focus for negotiation and performance.
17. Simplify Product Line budgeting.
18. Decrease administrative costs.

#### Potential Difficulties

1. OEM sub-licensing of software may lead to paperwork hassle.
2. Product naming which identifies market group may lead to multiple names for the same product, which would be confusing.
3. Selling to plug-compatible OEMs would be more difficult because of price of software product.