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Market Potential for Focus

TITLE

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STUDY OF THE MARKET POTENTIAL FOR FOCUS

AND ITS USE BY OPTIMUM SYSTEMS, INC.

FINAL REPORT

TO OPTIMUM SYSTEMS, INC.

JUNE 12, 1975

INPUT

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INTRODUCTION

- This study was carried out in May 1975 for Optimum Systems, Inc. by INPUT.
- The purpose of the study was to analyze the market for FOCUS, with particular attention to RAMIS replacement and competition, and to develop recommendations on its use and marketing by OSI.
- The study was based on interviews with users of RAMIS and OSI clients.
  - RAMIS users on National CSS, 16 interviews
  - RAMIS users in-house, 5 interviews
  - OSI clients, 9 interviews

  TOTAL 30 interviews.
- In addition, several discussions were held with Gerry Cohen, President of Information Builders, Inc., including an on-site visit.
- Identification of a forecasting product called PLATO from DIALOG, Inc. was also made as an ancillary to this project and contact initiated between OSI and DIALOG.

I MANAGEMENT ACTION SUMMARY

RESULTS OF THE SURVEY

- RAMIS is a well regarded, but expensive, tool for a variety of ad hoc applications; particularly in the planning and tracking functions in very large companies.

- RAMIS users on NCSS are divided into two groups:
  - large users (~ $10,000 per month) which usually own RAMIS and use NCSS for delivery (max of 10).
  - smaller users (average account size about $2,500 per month) which run RAMIS on NCSS and pay a premium (about 100 of them).

- An interactive component is very important to most users: this is perceived rather than real except in the development stage and for file testing and manipulation.

STATUS OF FOCUS

- FOCUS will be a viable and saleable tool. It will not be unique, as RAMIS was for a long time. Competition will be strong.

- IBI will be able to deliver a working product, provided that: Cohen's safety and helth are maintained, they don't try and take on too much, they have sufficient funding, and they can get satisfactory staffing.

RECOMMENDATIONS FOR OSI

- OSI should buy FOCUS, and maybe IBI: make sure there are ways out.

- OSI needs to have two things to use FOCUS most effectively:
  - an interactive capability
  - a professional services staff.

- OSI should prevent Tymshare from acquiring any version of FOCUS.

- OSI should immediately try to unhook a large user of NCSS which owns RAMIS already.

AREAS TO WATCH FOR:

- Initial investment for OSI will approach $200,000 in direct and indirect (labor) costs. In order to achieve return on investment a major sales effort must be mounted.

- IBI must define product and delivery schedule satisfactorily: it is too nebulous right now. Delivery schedule is unlikely to be met.

- OSI must use 'carrot and stick' approach with IBI.

- OSI should realize that FOCUS requires major changes in marketing,

sales and support for the company.

- New users represent the major market for FOCUS: some conversion from RAMIS/NCSS is possible.

II RESULTS OF USER SURVEY

A. NATIONAL CSS RAMIS USERS

- APPLICATIONS USE. The main applications being used are: financial, including analysis and planning, accounting, and billing; marketing, including sales analysis and forecasting; and tracking, using data bases for equipment, school enrollment, fleet control, railroad cars etc.

- ACCOUNT SIZE. The average size of the accounts interviewed was about $2,000 per month with the smallest at $100 and the largest at $8,000 per month. The average revenue per application was about $900 per month.

- PROJECTED GROWTH. New applications identified and planned will probably account for a 10% growth within the next year. Also growth in existing applications dependent on operation:
  - where operation is purely a clerical function, growth is minimal one standard production has been obtained.
  - where operation is in a more sophisticated area growth of about 25% per year can be expected as features are added.

- WHY IS RAMIS USED? Most frequent comments were:

- It is easy to use by clerical staff
- Fast getting applications up
- Not a lot of programming skill required
- Needed on-line access to a data base.

In two cases NCSS/RAMIS beat out TYMSHARE/System 2000 .

- RAMIS DEPENDENCE ON OTHER NCSS PRODUCTS OR FEATURES? Generally 'No'; three users considered the network somewhat important; four others considered it of importance to be on-line; and two had data base tie-ins.

- SUPPORT REQUIREMENTS. Although initial support required is high, about 75% of users require minimal support after system is implemented - they just use the manuals and occasionally a call to technical support. About 30% use the free training courses (of which there are 6). Several use technical support for FORTRAN/COBOL interfaces. At least 25% of the applications were implemented by NCSS professional services.

- USE OF RAMIS. About equally divided between those who had used other NCSS services before RAMIS and those that had not. In several cases the OR or management science group acted as referral. Only two of the respondents were recent new users; most of the others had started in 1972.

- TIE-IN WITH OTHER NCSS SERVICES. Most users (70%) used other services from NCSS. However there is minimal tie-in with RAMIS; some use of FORTRAN/COBOL with RAMIS.

- AVAILABILITY OF RAMIS ON IN-HOUSE AS A FACTOR OF CHOICE.

  Resounding 'No'.

- DEPENDENCY ON COMPATIBILITY WITH IN-HOUSE SYSTEM. Overwhelming 'No', provided that data entry and tape handling compatible. Mini version of the data base management system suggested.

- PROBLEMS WITH RAMIS.
  - Expensive; cost can drive application in-house.
  - Formatting problems, particularly report headings and footings.
  - Documentation is poor.
  - Row data handling and computation is poor.
  - Technical support varies by location, can be poor.

- SUGGESTIONS FOR IMPROVEMENTS.
  - Handling random access files
  - Expansion of 'Hold' file capability
  - Decision making in report production by record and calculations
  - Expanded graphics
  - Disc-to-disc data input.

- CONDITIONS FOR SWITCHING RAMIS. Doubtful according to most: several mention 'inertia'. Conversion must be easy and free. Several going in-house, or thinking of it, with or without RAMIS.

- POSSIBLE USE OF RAMIS ON A REMOTE BATCH BASIS. Most of them use remote batch already for the majority of production. Three gave categorical 'No's' to the question; 7 felt need for on-line capability for development and/or file testing; 2 said they would consider and 3 said they might. On balance, at least 50% would consider it carefully, and more if set-up procedures and tests appear interactive.

- RAMIS PRICING. Fixed surcharge; doesn't drop when NCSS rates drop, 20% on VPU, 50% on CONNECT and same rate on I/O; not on storage. Several users mentioned they would prefer being billed once per month.

- WHAT PRICE DIFFERENTIAL BETWEEN REMOTE BATCH AND TIMESHARING.

Minimum considered is 25% by 3 respondents; 30% indicated by 3 more. 50% differential by the rest. Remembering that NCSS gives 50% discounts for deferred batch.

- TOTAL CURRENT/FUTURE USE OF RAMIS. Corporations contacted accounted for about $45,000 month of RAMIS (number of accounts contacted fewer). 4 users have gone or are going in-house. At least 4 plan increases in expenditures.

- QUALIFIED RAMIS VENDOR. It must offer:

1. good technical support
2. be an established T/S company
3. good reliability and up time
4. good documentation
5. all sales people know and understand the product
6. easy access.

B. IN-HOUSE RAMIS USERS AND OTHER VENDORS

- SDL — Run batch RAMIS under OS/Wylbur for about a year. Assigned one specialist to support Mark IV and RAMIS; requires a little extra sales effort. Most users don't need interactive retrieval if fast batch is available; about 90% of their prospects don't need interactive update which would require T/S. All D/B packages relatively good in proper application. RAMIS strength: simplicity for numerical reports.

- ECN (RUTGERS) — Batch RAMIS up for about one year; 20-25 users at 30% surcharge. Strengths: ease of use, relatively economical, graphic output and interface for user programs. Weaknesses: haven't discovered yet. Satisfies user needs.

- PT&T — Leased from Mathematica, run on NCSS. A number of systems evaluated and RAMIS chosen because of ease of use in the field. Additional strength: well maintained. Weakness: documentation. No interest in purely batch version; about $\frac{1}{4}$ of current work is run deferred. Only thing that looks better is the potential of FOCUS.

- B of A — Now in-house on 370/168; about 50 applications are up. User response ranges from excitement to rejection. In general, sophisticated DP user feels confined while average DP user likes it because it allows them to use computer effectively. Doesn't think remote batch would be as effective as time sharing. Vast potential market if: (1) understand user wants, (2) make user understand system, and (3) good internals.

• RCA Task force has extensively studied entire field of D/B systems and FOCUS is, without doubt, the real frontier of its type of system. Have used RAMIS for many years very effectively but it is about to die of old age. FOCUS is a brand new, integrated version of RAMIS based on 10 years' experience. Performance: not very efficient, but when you consider analyst and manager time it is the best bargain in DP since Day One. For user interface and ease of use it could not be better.

C. OSI CUSTOMERS.

- AIR 'No need at all; wholly inapplicable to their environment'. All administrative DP comes from their HQ in Washington, D.C.; perhaps some potential there for project control.

- SEAMEN'S SECURITY 'No present need, after seven years system pretty much settled down'. Pension Reform Act requires some presently unknown reporting - may be useful for that.

- FIBREBOARD 'Potential close to zero'. Bringing 360/65 in-house with IDMS, Culprit and Mark IV so will have full capability available. Will try to bring all outside computer services in.

- ALZA 'Almost no potential'. Won't pioneer; doesn't like hierarchical files; wouldn't put any IBM based system in the hands of a user. 'Sure somebody with imagination could find a use for it'.

- PILLSBURY, MADISON & SUTRO 'Some possibility .... would like to learn more about it'. Potential applications; document retrieval and legal research.

- EPA Currently using Systems 2000, which they purchased, on service computers. Require 1110 and IBM compatibility for such a system. Also EASYTRIEVE.

- SUNNYVALE 'File management is coming thing ... certainly will have some interest'. Using Mark IV presently but sees advantage of FOCUS for analysis systems. Requested literature.

- EARL & WRIGHT 'Almost no potential'. Have set up computer science department to satisfy DP needs and that department would much rather use programs than package (interviewee has used RAMIS). 'Sometimes really handy'.

- JOY 'In favor of anything that can be done to make systems more user oriented... trying to get managers to use computers'. Intends to use Mark IV to provide some of the capabilities.

- SUMMARY Of 9 prospects, 5 were definitely negative, 3 were possible and 1 might be'converted'. This is in line with NCSS experience where approximately 20% of users are users of RAMIS, and half of these used other services of NCSS prior to using RAMIS.

III MARKET AND COMPETITIVE ANALYSIS

A. NATIONAL CSS RAMIS REVENUES AND PLANS

- NCSS REVENUES DEPENDENT ON RAMIS.

Estimated $3 million per year based on 400 IDs at an average of $600/month/ID. 100 Accounts at an average of $2,500/Account. Core of $1,000 - $1,500/month accounts - usually one application.

Big guys vary month-to-month $2,000 - $10,000. Lots of small companies $300 - $500, for example realtors.

This does not include revenues from companies with RAMIS on lease basis, such as B of A, RCA/HERTZ, and New York Telephone. These probably add another $500,000 per year.

- NATIONAL CSS PLANS. RAMIS has been continually upgraded during its lifetime: the new Mathematica intends to 'stabilize' the product. Both NCSS and Mathematica are keenly aware of the limitations of RAMIS and now that Cohen is gone will be free of his biases. Cohen considers that Mathematica will push consulting based on RAMIS: he admits risk of National CSS and Mathematica cooperating in development and marketing. OSI should plan based on 'SUPERAMIS" being available on NCSS within a year, possibly 6 months.

B. ACTIVITIES OF OTHER VENDORS

- OTHER VENDORS AND PRODUCTS.
  - Tymshare with System 2000 - reasonably successful, but RAMIS beat out twice in survey.
  - 1022 from Cyphernetics - powerful tool.
  - Oliver from On-Line Systems - interpretive; reason for Cyphernetics getting 1022.
  - REACT from BCS, supposed to be somewhat competitive to RAMIS.
  - DML from CSC.
  - McAuto has IMS - not directly competitive with RAMIS.
  - MARK IV not generally competitve with RAMIS.
  - Other vendors have TOTAL, System 2000, etc.

- MAJOR THREAT FROM IDC. The major direct competition to RAMIS will come from IDC with a product due in September 1975. This will be directly targeted at RAMIS and, combined with IDC's data base, should be extremely competitive in the financial industry. Their weakness is in marketing this product.

C. SOFTWARE DEVELOPMENTS

- RAMIS COVERAGE LIMITED. It is generally used for small (several million character) files with access typically required to 10% or more records in a file in any one run. It therefore covers only part of the data base spectrum; as such it has been ignored by competitors going after IMS-type of applications. Edelman considers the main limitation is in the file structure support.

- COMPETITION TO INCREASE. Primarily because of success of RAMIS and need for service companies to have a 'quick development turn-around' product, competition will increase. Specifically new product from Mathematica, IDC, etc. However, Edelman at RCA has done analyses of data base management systems, considers FOCUS will be the leader in its field.

D. MARKETS FOR OSI

- CONVERSION OF NCSS RAMIS USERS. Possibly 50% of RAMIS users would consider switching under attractive conditions of service, support, pricing (say, 50% differential), and free conversion. Some of the larger users could become 'unhooked' purely on price. Estimate 10% of NCSS revenues could be converted in first year: roughly equivalent to loss from going in-house. Becomes progressively more difficult.
  - MARKET SIZE: First year $300,000
    Second year $500,000
    Third year $600,000

- CURRENT OSI USERS HAVE MODEST POTENTIAL. Will tend to be the less sophisticated DP user who is attracted to its general usability and fitness for a particular application. Generally, these will be new applications and not conversions of existing OSI applications and, therefore, represent a net increase in revenue to OSI. One in 20 current OSI customer could develop a FOCUS application in each of the first and second years it is offered.
  - MARKET SIZE: First year $120,000
    Second year $300,000
    Fifth year $750,000

- NEW USERS OFFER GREATEST REVENUE POTENTIAL. Users will tend to be less sophisticated users of data processing who would like to use computers effectively. Exception: In-house group established to solve

users processing problems in best available manner; often these people are highly experienced but recognize the value of FOCUS as a tool in the hands of others. Potential users exist in all industrial classifications and all organization sizes. The typical application will generate about $1,000 per month; multiple applications per company will be common and large revenue applications will be rare.

- MARKET SIZE* 1976 $10 million
  1977 $25 million
  1980 $100 million

* MARKET SIZE: Total new market for FOCUS-like services and specialized systems based upon a FOCUS-like capability. By this definition current market is estimated at $40 million.

E. VALUE OF FOCUS TO OSI

- As remote batch and interactive remote computing services merge, OSI must have a 'problem solving' language in order to be a well rounded vendor. Customers will expect access to a variety of retrieval and data base systems for different needs.

- A product like RAMIS enables OSI to move much faster in providing 'custom' solutions to user problems. Users will often pay a premium to get an application up quickly - as shown in the survey. It also generates revenue quicker than COBOL developed applications.

- As shown in the survey, a significant part of NCSS RAMIS revenues come from applications in a few areas such as forecasting and tracking, which are ideal areas for OSI to pursue in manufacturing, local government and federal agencies.

IV PRODUCT MARKETING AND SUPPORT REQUIREMENTS

A. FOCUS CHARACTERISTICS REQUIRED

- INTERFACE WITH COBOL AND FORTRAN. Particularly in the forecasting area and in the larger accounts there is a requirement to interface easily with FORTRAN and COBOL compilers. To offer a competitive product to RAMIS/NCSS, these compilers must be accessed interactively or have rapid remote batch turnaround, as well as debugging aids.

- LOCAL HIGH SPEED TERMINALS. Because of the tendency already existing for much of RAMIS production to be in remote batch mode, a user must have easy, local access to a high speed terminal for volume printing and file updating (this is usually from tape).

- EASY ACCESS. NCSS users are accustomed to getting on the system easily without encountering 'busy' signals or lengthy waits.

- CONVERSION OF EXISTING NCSS/RAMIS USERS. This must effectively be 'free' to attract customers. However, 'pay back' should be spread over a contract length of a year, if there is any significant level of effort involved. Alternatively a minimal conversion charge may be acceptable, if the user can see major cost savings in operations (30-50%).

- Specific product features required are addressed in Section V.

B. PRICING SENSITIVITY AND POLICIES

- NCSS RAMIS users are not particularly sensitive to price in their consideration of switching vendors: in the absence of other compelling reasons it will take a 30% - 50% difference for them to consider a change.

- In addition to non specific resistance to change, the necessary conversions stand as an obstacle. Factors included are file conversion, procedure re-writing, and user training.

- Front-end analysis and installation work done by OSI, both person and machine time, should be billable and negotiable. While this work is clearly of value to the FOCUS user, the individual circumstances (set-up vs. monthly revenue) must be weighed.

- OSI should retain control over FOCUS pricing including the right to charge an additional surcharge. This provides a means of negotiating the set-up costs as well as a means of recovering other extraordinary expenses such as exceptional amounts of user support.

- Standard OSI rates plus a 25% surcharge is reasonable for both OSI and its customers, provided that installation costs can be offset in some acceptable manner. Note also, the surcharge should vary as OSI charges vary: this is <u>not</u> like RAMIS on NCSS where the surcharge is fixed at 4¢ per vpu <u>regardless</u> of what NCSS charges for that vpu.

- In terms of pricing OSI has to look at at least three pricing levels:

- less than 2 minutes suggested comparable to regular NCSS
- less than 20 minutes suggested, 30- 50% less than regular NCSS
- overnight suggested 30-50% less than deferred run on NCSS (itself about 50% of regular rate).

C. MARKETING STRATEGIES

- ORGANIZATIONAL ALTERNATIVES. A sales force which sells all of OSI's general purpose services, including FOCUS, has the advantage of being able to involve itself in all of an accounts' data processing activities and establish the presence of a greater service capability. The disadvantages are the potentials of inadequate product (FOCUS) knowledge and experience and the risk of becoming bogged down with the existing revenue base to the extent that adequate FOCUS prospecting cannot be done.

  - A specialized FOCUS sales force can quickly develop product and prospecting expertise which can more rapidly develop initial revenues. The disadvantages result primarily from the fact that FOCUS can/will compete with other OSI services as potential problem solving solutions.

  - If all technical support people are trained to install and support FOCUS applications the user will receive a great benefit due to the depth of support available. The risk is that since the experience will be so fragmented that no single OSI representative will be able to support the advanced users effectively.

  - A specialized FOCUS (perhaps Mark IV and others, also) support staff will have the required expertise but will be lacking in depth. Another disadvantage is that the staff must be assembled before the FOCUS revenue is there to support it.

- PROSPECTING ALTERNATIVES. Existing RAMIS users represent a market which is already qualified and educated as to the benefits of

FOCUS. Their reluctance to convert can be offset by FOCUS improvements over RAMIS, price, and OSI assistance (person and machine time) in conversion.

- New users (including OSI customers) represent by far the largest potential market. They will require extensive initial support and training but will become reasonably self-sufficient in a matter of months. The selling cycle will be longer due to the education required, but this will be partially offset by the avoidance of head-to-head competition with NCSS/RAMIS.

D. SALES PERSONNEL REQUIREMENTS AND LEVELS

- Sales personnel should have a good understanding of the basics of data processing and an awareness of how FOCUS relates to the alternatives available to solve a given information need. This is essential in order to generate and accurately qualify FOCUS prospects.

- Sales personnel should develop a degree of technical competence regarding FOCUS and be able to demonstrate its capabilities. There is no better way to sell 'ease of use'. In other words, they should be able to 'program' in FOCUS.

- Sales personnel should be active and aggressive in their prospecting for FOCUS users. The potential number of users is vast and much time can be saved and much additional revenue can be generated by 'skimming' the best prospects.

- The number of salesmen to be deployed is more dependent upon the amount of money OSI is willing to invest than on the ability of the market to eventually support them. A reasonable rule of thumb would be one salesperson per one million population of a metropolitan area. An assumption here is that the salespeople sell all general purpose OSI services.

- In terms of the current sales force of OSI, we visualize three groups:-
  - 'time' salespeople
  - facilities management, computer utility salespeople, particularly

in government.

- applications salespeople, for manufacturing, local government, etc.

Of these the first is the group which will be selling FOCUS. This provides for a significant upgrade of their capability and image; the group can be converted from 'used car salesmen' to professional problem solvers or consultants using FOCUS as the base. The third group should also be able to pick up significant revenues by selling FOCUS for non-standard applications in their clients' businesses.

E. SUPPORT REQUIREMENTS

- Technical support people must be willing and able to develop a thorough understanding of the prospect/user's application need. Their prime orientation must be toward application systems and end use of computers; operating system and language specialists do not do well with this type of service.

- The level of products knowledge held by the technical support people must be exceptionally high. Users select such systems because of the ease and speed with which reports can be generated and, therefore, they will not wait patiently for answers to technical problems.

- User training is particularly critical at the time of installation of the initial application. Thereafter, users are generally capable of putting up additional applications themselves. Group classes are effective when the number of new or potential users justify them.

- Training classes, (of which NCSS has 6 including ones on data entry, programming and systems) should be free and generally given in groups at OSI offices.

- Documentation which is readily usable by a non-sophisticated DP user is key to the profitable success of such a product. This is an area of weakness for RAMIS and a good one in which to establish a competitive advantage. RAMIS documentation, while generally good, lags behind product advancements. OSI should use Wylbur for rapid and professional documentation - Cohen's cannot be relied on.

- A qualified, trained, and experienced technical support specialist is capable of supporting the activity generated by four active sales reps. This includes the ability to be highly involved in the set-up of two new-user applications per month.

V PRODUCT STATUS EVALUATION

A. FOCUS FEATURE ANALYSIS

- FILES AND FILE STRUCTURES. The file structure to be supported by FOCUS is still limited to a single, hierarchical structure. Within this there is much more flexibility in FOCUS than RAMIS. This is particularly true of its ability to handle multiple segment types at a single level.

- DATA MANAGEMENT. There are some important features in FOCUS not in RAMIS, particularly the ability to perform arithmetical and logical expressions on transaction inputs.

- REPORT GENERATOR. Major improvements in handling headings and footings, defining variables, and handling of row calculations are present in FOCUS. These should solve the formatting problems raised in the study. This is very important since the report generator is the prime feature of RAMIS. Graphics package will be improved.

- FILE AND DATA SECURITY. Not important features or problems according to our survey.

- GENERAL. The proposed features of FOCUS appear to be general

improvements, especially the ability to catalog and run procedure files outside FOCUS to have multiple host language files open simultaneously, and the expansion of the extract file capability.

- AREAS REQUIRING FURTHER REVIEW AND DECISIONS:

  1. Spacing and control in headings. Major improvements over RAMIS, more flexibility may still be needed.
  2. Multiple links per segment - demand and potential solutions need further investigation.
  3. Limited file structure support - may be solved by interfacing FOCUS report generator with other file management systems.
  4. 'Bridging' with other language files: Cohen says this 'can' be done - but will it and what is the cost? Who will do it?
  5. Automatic data input (from Floppy Disc) - OSI function.
  6. Ability to put 'hold' files in core when available.

- SUMMARY. 'FOCUS is RAMIS as it would have been written by Cohen eight years ago knowing what he knows now', Edelman at RCA. FOCUS is a powerful report generator with limited file management capabilities.

B. DEVELOPMENT STATUS AND PROBLEMS

- VERSIONS OF FOCUS UNDER DEVELOPMENT.

  - American Can VM/370. Cohen is committed to complete this by December 1975 for in-house use as well as selling (potentially superseded by OSI agreement). Shake-out may take until end of March 1976.

  - Conversion of VM/370 version for in-house use on CSS for Standard Oil, for example. This should be completed, on demand, one month after VM version.

  - OS/VS version. For OSI; some significant differences from VM version primarily in the data management area. Planned completion January 1976.

  - TSO version. After OS/VS conversion, larger job than CSS conversion but smaller than OS conversion. March/April 1976.

  - Bridge between FOCUS and IDMS. For RCA; one month project estimated by Cohen - Edelman thinks more complicated. Wants to get RAMIS report generator working with IDMS file structures. Initially hierarchical files only will do . Cohen will specify bridge - RCA will program it.

- DEVELOPMENT SCHEDULE FOR VM/370 VERSION.

  - Phase 1. Report Writer. Scheduled completion end of July. Stop work on it end of June and shake it out in July. NOTE: It will be difficult to find out how complete the report generator is at any one point, say the end of July. Chances are that there will still be'odds and ends' to clear up - which will take time.

programmer, systems and user manuals, and training course outlines. With OSI working in parallel with IBI, these would be the dates of announcement of the product.

- OSI ACTIVITIES.
  - Training of marketing and support staff
  - Bringing up complete versions on OSI system
  - Establishment of RAMIS conversion procedures
  - Bench marks against RAMIS
  - Development and publication of sales material
  - Development and publication of pricing procedures.

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C. PROJECTED FOCUS VIABILITY

- FOCUS AS A DATA BASE MANAGEMENT SYSTEM. FOCUS is only a partial answer to the question of which data base management system OSI should acquire. In fact, it is more of a retrieval language and report generator than file manager.

- FOCUS AS A SYSTEM DEVELOPMENT TOOL. The real advantage of FOCUS is in its ability to act as a tool for systems people to rapidly develop applications to solve immediate user problems. It will be relatively simple to use both in development and production, but with powerful capabilities. An important point is that the increased power and capabilities of FOCUS over RAMIS will make it more difficult or complicated to use: and simplicity was one of the major assets of RAMIS. The effect of this trade-off cannot yet be measured.

- FOCUS AS A REVENUE GENERATOR. Putting FOCUS up on OSI systems and announcing it will not bring people looking for it in any great numbers. Just being available to customers will generate little revenue, for less than if IMS or CICS were put up, for example. Revenues from FOCUS will derive from problem solutions developed by OSI staff, or for larger clients, from their systems and programming staffs acting as consultants to their own users.

- FOCUS AS A VIABLE PRODUCT. FOCUS will be a viable product in its limited area; it will not be a 'state-of-the-art', flashy product which won't work. It will be a workable and effective product which will probably

do its job better than any of its competitors, especially in the report generation field. The lifetime of FOCUS is projected to be five years: during this period it will have to significantly evolve.

- FOCUS IN COMBINATION WITH OTHER LANGUAGES. Probably a powerful feature of FOCUS will be its ability to be combined with other language systems, such as those written in COBOL, FORTRAN, and PL 1, and also with data base management languages such as System 2000, TOTAL, IMS, a and IDMS.

VI FINANCIAL REQUIREMENTS AND PROJECTIONS

A. START-UP COSTS

- The following words and numbers represent the minimum costs associated with acquiring marketing rights to FOCUS, installing it on the OSI system, and making preparations for an entry into the market. This is not an estimate of the total investment required; it is an estimate of costs incurred up to the time of product announcement. The actual start-up costs incurred are dependent upon the business plan adopted and may be much higher due principally to additional personnel expenditures.

- The total investment over the next 12 months in developing the product, test marketing, and bringing it to the market will be of the order of $200,000.

- CASH INVESTMENT TO PRODUCT ANNOUNCEMENT

Cash to G. Cohen	60,000
Line Printer & Communications for IBI in NYC	10,000
Documentation (Manuals, Reference Sheets etc.)	10,000
Sales Aids and Promotion	5,000
Training for Sales and Tech. Support	5,000
Minimum Additional Personnel Expense (Salary Only)	
- Project Manager, Starting now.	30,000
- One Tech. Support East & West Coast, 3 months prior to release.	12,000
TOTAL CASH EXPENDITURE	$132,000

- PERSON-TIME

Development of FOCUS interface	2 mos
Training, Management of	1 "
Preparation of OSI documentation	1-2 "
Preparation of sales aids	1 "
Field time spent in training	2 days - Salesperson 4 days - Tech. support
Management time associated with above activities	UNKNOWN

- MACHINE-TIME (At standard rates)

G. Cohen	$20,000
OSI	$10,000

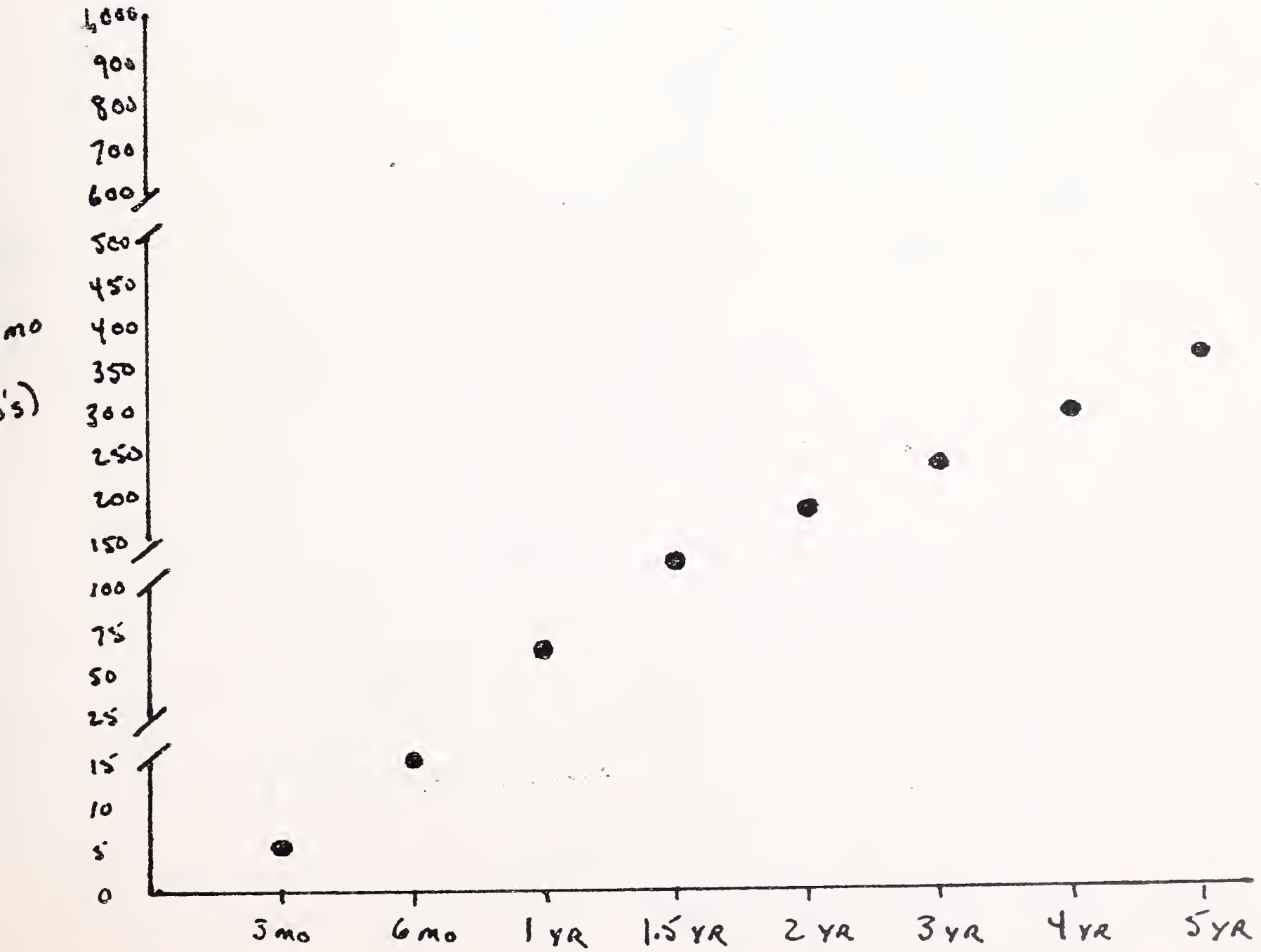
B. REVENUE PROJECTION SCENARIOS

- The four revenue projection scenarios below represent the combinations of the following:
  - Whether or not OSI is able to unhook large NCSS/FAMIS users, and
  - Whether or not OSI makes a significant change in the size of its field force.

- Common assumptions are:
  - OSI commits to making FOCUS a substantial part of their marketing efforts with sales people spending at least 25% of their time on it.
  - The sales people are selling their services in addition to FOCUS and, therefore, will sell a FOCUS application once every three months. (This assumption assumes adequate technical support).
  - The typical application will generate $1,000 per month.
  - The average FOCUS revenue per FOCUS account will grow to $2,000 per month.
  - The first six months after product announcement will produce less revenue and fewer accounts due to the lack of experience.
  - After 2 years, net increase in FOCUS revenue is one half of gross increase due to lost business.
  - Sales force, first quarter 1976, is 15 people.
  - In order to provide an incentive to salespeople to sell FOCUS, a significant commission plan is established.

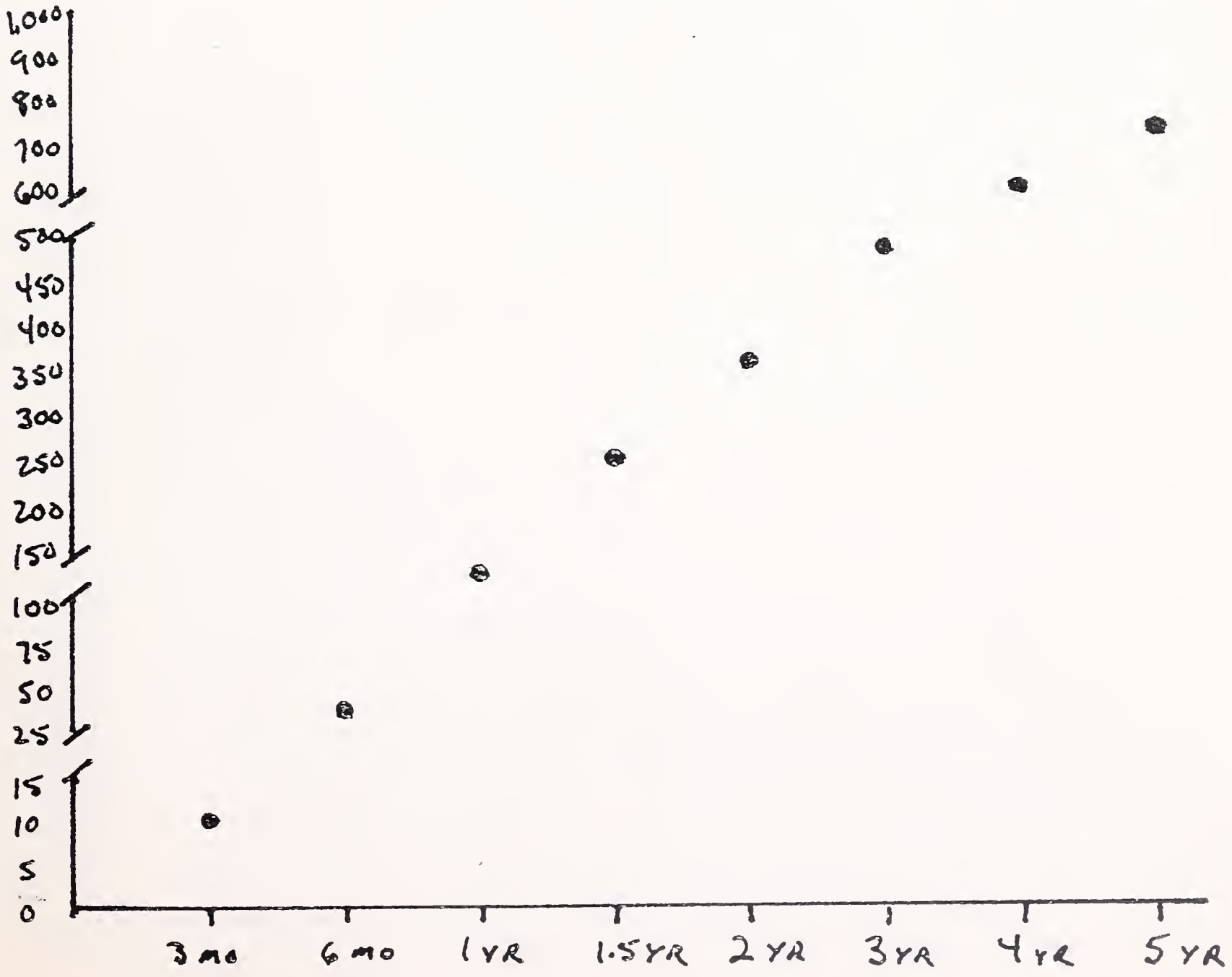
- Scenario I

  - No conversion of large NCSS/RAMIS users
  - No increase in sales force
  - Two additional technical support specialists



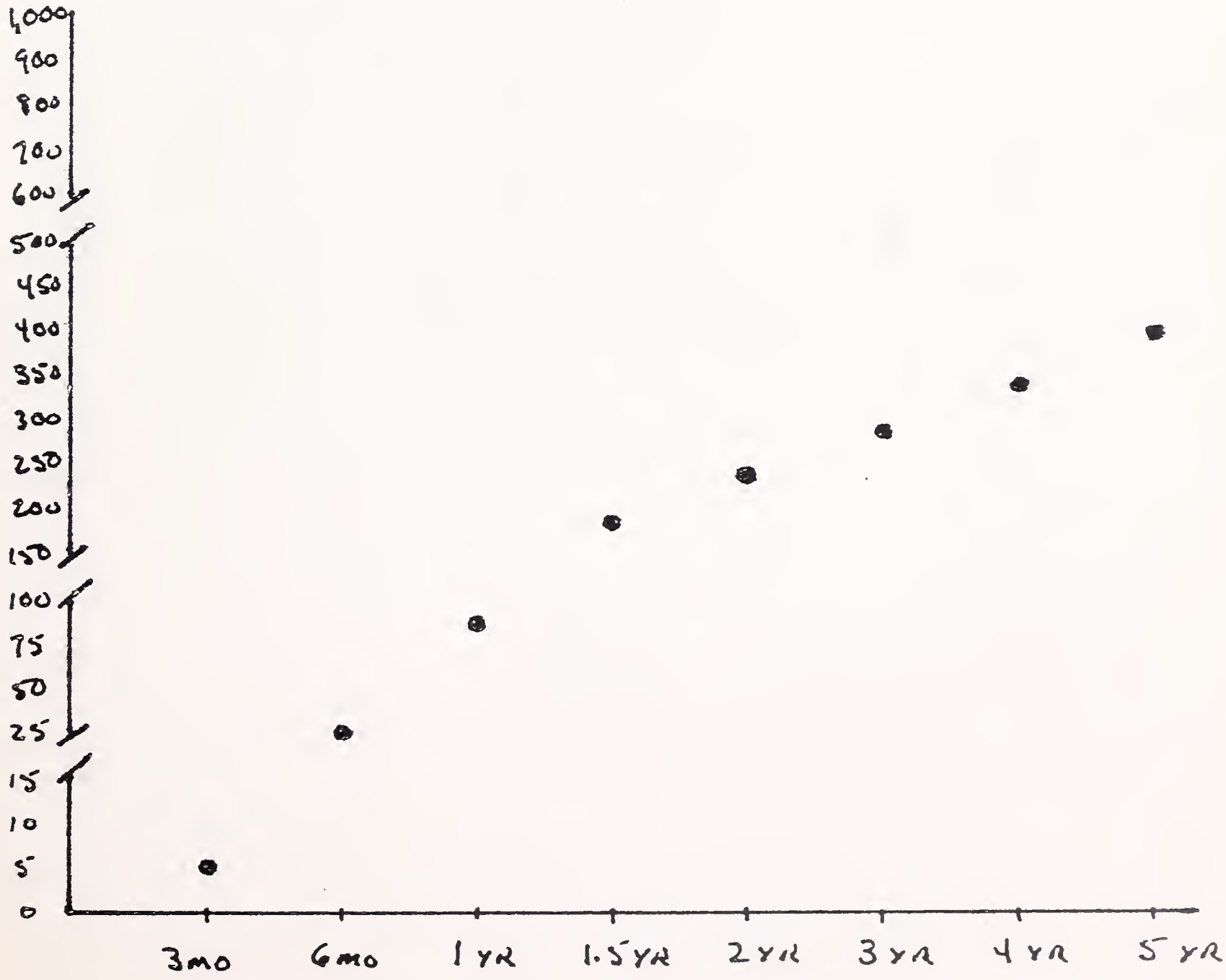
- Scenario II

  - No conversion of large NCSS/RAMIS users
  - Sales force increased to 30
  - Technical support increased as required



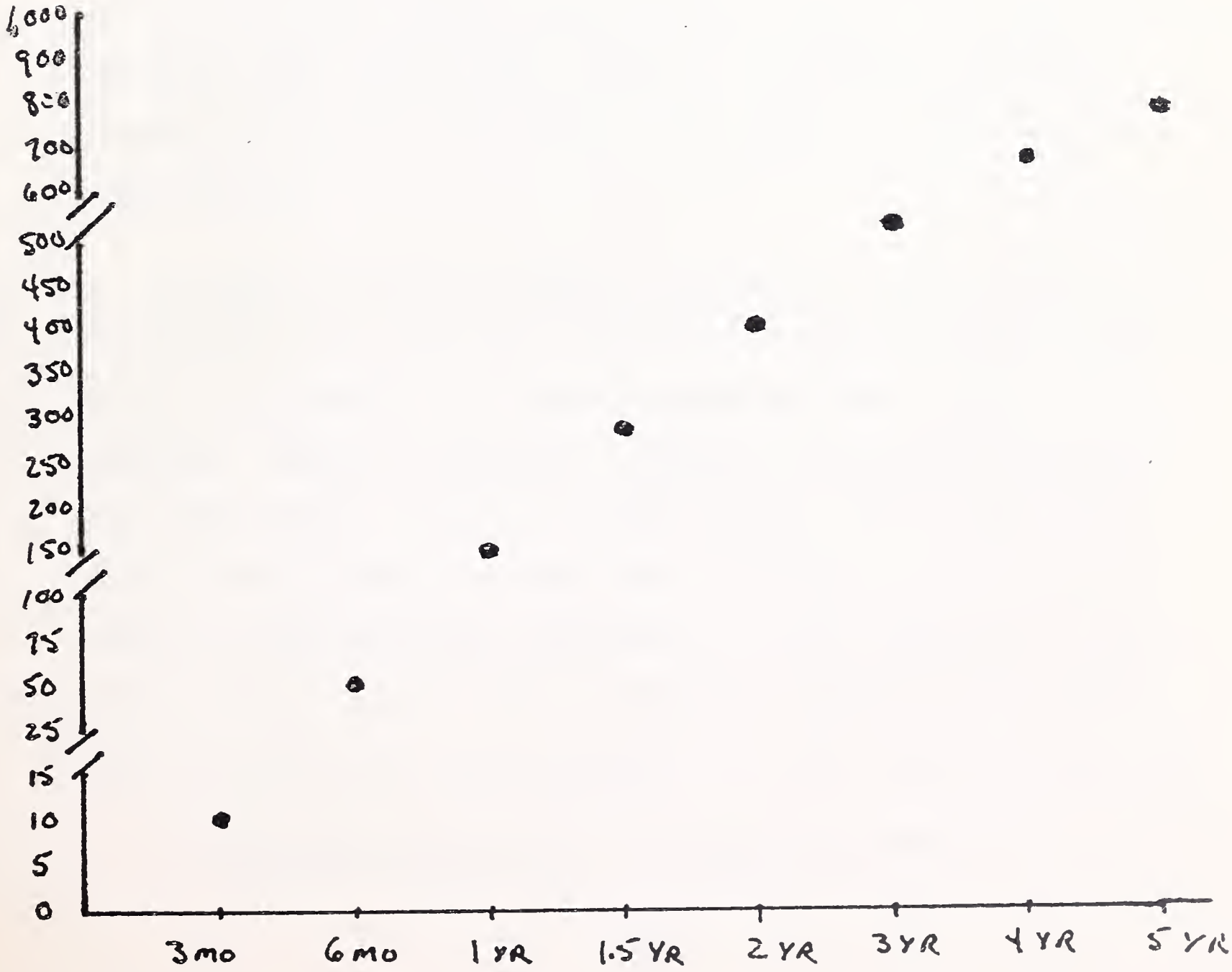
- Scenario III

  - One large NCSS/RAMIS user converted every 6 months for first two years. Revenue = $10,000/mo.
  - No increase in sales force
  - Two additional technical support specialists



- Scenario IV

  - One large NCSS/RAMIS user converted every 6 mos. for first two years. Revenue = $10,000/mo.
  - Sales force increased to 30
  - Technical support increased as required.



VII RECOMMENDATIONS FOR OSI

A. ACQUISITION OF FOCUS

- OSI SHOULD ACQUIRE FOCUS. OSI should buy FOCUS, preferably with an OS/VS interactive/remote batch capability. The problem is that neither TSO or VM/CMS is in the mainstream of IBM development. VM is only a temporary (albeit several year) solution to the interactive problem. Announcements by IBM in the System Network Architecture (SNA) area will supercede TSO.

- OSI AND FOCUS NEED AN INTERACTIVE CAPABILITY. There is only one viable FOCUS product and that is one with an interactive front-end and remote batch processor. To 'unhook' significant RAMIS revenues this is mandatory. Without an interactive front-end, for procedure editing and data entry testing, conversion of RAMIS revenues would be small; large accounts would certainly not come across. The procedure editing can be handled by FOCUS/SUPERWYLBUR combination: the file handling is the crux of the problem. OSI also needs an interactive capability to be competitive with other remote computing vendors: VM could initially supply this.

- OSI SHOULD KEEP TYMSHARE OUT. If Tymshare has FOCUS on VM it will

directly compete with NCSS/RAMIS and OSI/FOCUS. It will significantly reduce OSI/FOCUS revenue potential: Tymshare will go head-to-head with NCSS for big accounts and win some due to its very low pricing for its 370/VM. Effectively OSI will be frozen out in the competition. New users will be the OSI potential source of revenue - but Tymshare will be low enough in price so that its interactive capability will be the deciding factor in many competitive cases, since its version has deferred batch capability for production just as does OSI. In addition, NCSS and Tymshare's sales forces have wider coverage than OSI, with professional services capability to boot. Also, local high speed batch capability is important to many users, thus they have the geographical coverage advantage.

- OSI RELATIONSHIP WITH IBI/GERRY COHEN. At the moment, IBI is Gerry Cohen. OSI should take out insurance on anything happening to Cohen prior to his fulfilling his agreement with OSI.

- OSI SHOULD USE 'CARROT AND STICK' APPROACH. It is unlikely that Cohen will perform according to his current schedules. A reasonable schedule for performance should be mutually agreed and a set of time-phased deliverables established. For delivery of each item on schedule a sizable incentive should be paid which is reduced by each day late. Agreement should also be reached that other FOCUS activities can only be performed by Cohen with permission of OSI, on it being shown that the schedule is unaffected. OSI needs:

  - Firm specification of deliverables;
  - Schedule of deliverables and corresponding incentive clauses;

- Clearance on any legal problems with RAMIS;
- Agreement with Cohen controlling new activities by him during the development period.

- OSI SHOULD PROVIDE SUFFICIENT SUPPORT TO COHEN. To make sure that the system is developed, OSI should make available terminals, machine time, and staff. For OSI's protection, on-site staff from OSI should be located at IBI. In particular, SUPERWYLBUR should be used for documentation thus potentially improving one of the weaker areas of RAMIS.

B. ORGANIZATIONAL RECOMMENDATIONS

- PRODUCT MANAGER. OSI select a product manager who is a sales person with solid technical capability. The product manager will learn the features of RAMIS and proposed FOCUS and be responsible for product development, market testing, training, and product announcement.

- TECHNICAL INTERFACE PERSON. OSI select a technical interface person who will work with Cohen on the development activities and also the interfaces with OSI systems. In the negotiation the extent of this person's work on FOCUS must be taken into account. This person will provide continuity and control.

- ESTABLISH PROFESSIONAL SERVICES GROUP. OSI should develop a professional services group whose function is to solve problems for users using FOCUS or other appropriate tools. This group should be a conversion from, and extension of, the time sales group. However, different personnel characteristics will be required.

- TECHNICAL SUPPORT REQUIREMENTS. All technical support people in OSI should be trained in FOCUS. Those who have particular attraction to user problem solving by means of FOCUS should be able to move to the professional services group given suitable characteristics. Two additional technical support specialists (one on each coast) should be in-place three months before product announcement.

C. SALES RECOMMENDATIONS

- RAMIS 'UNHOOKING'. OSI should begin a concentrated effort to unhook large RAMIS users of NCSS who own the package. This should be done by the Product Manager after learning the features of RAMIS. It will provide finer detail on the importance of the interactive capability and will show system changes needed. In this way, OSI should also be able to determine the need for the VM version by September 1975.

- ALL SALESPEOPLE TO KNOW FOCUS. All salespeople should be expected to sell FOCUS, but with particular emphasis on the conversion of the time sales group and secondly, the industry specialized group. Quotas should be established accordingly.

- INCENTIVE TO SELL FOCUS. OSI must make sure that appropriate effort is applied to selling FOCUS. This must be done through a suitable incentive structure.

- SOFTWARE PACKAGE SALES. OSI should ensure that FOCUS is promoted and sold successfully as a package. Mathematica did not do this with RAMIS. By getting widespread publicity and use, FOCUS will be more credible and easier to sell as a service. OSI should also have a sales agent relationship with IBI so that it is able to get a return when a large user goes in-house. OSI should also consider acquiring the marketing rights to the package. This would get Cohen to concentrate on what he does best and leave marketing alone.