

MEMORANDUM

From: Jack Horner. VP Product Development LegacyCo

To: LegacyCo ExCom

Subject: Product Development Projects

Please find attached a list of the product development projects currently under actual development. All projects listed are currently on track to completion. The strategic intent is included. Only two projects stand out in the context of a drive to conserve cash and that is Project Vole and Project Wallaby

Project Vole

This project is focused on the consumer end of the augmented reality market. It would benefit from technologies developed by NewCo. A small amount was invested last period to scope out the technology as it is today. It appears that the technology is feasible but would require extra development to get round existing patents relating to issues of robustness in a non-controlled context and problems of disorientation while moving. These patents are held by others. To move forward, we would have to repeat, buy, or license the technology. If the Excom chooses to cancel development into this project it will not impact NewCo, which is separately funded but it will eliminate our only potential Blockbuster offering.

A bigger problem for NewCo is the potential cannibalization off its offering.

Project Wallaby

This project is our 'disruption killer'. The classic route to disruption is to bring in a lower functionality offering that is priced well below the existing players. The disruptor hopes to get a toehold then drive the offering up the functionality and reliability curve until it is 'good enough'. At that point they hope to explode into the higher end market with its higher margins. Next thing we would know we would have been disrupted. Development has been keeping a watching brief on this potential risk for years. Working with a small outside house we have 'stripped' our offering and refined its costs so that if we ever need to fight we have the offering. This project has also yielded direct insights that have been fed back into the processes used on the primary offerings.

Note: this project does not eliminate the risk of disruption completely. Christensen's 'disruptive innovation theory' also allows for "new-market disruption", which targets customers who have needs that are unserved by existing incumbents. By definition this is very difficult if not impossible to predict.

Jack

PERIOD 2: DATA ON CURRENT PROJECTS

			Effects if successful			Cost to Product Development Budget					
Working	Strategic		Impact on	Competence**	Risk of	Period	Period	Period	Period	Period	Headcount
Project	Logic	Market	CoS %		Failure	1 History	2 Current	3 Expected	4 Expected	5 Expected	Required
Name						These costs are charged to Prod Devel budget in the period, if the project is NOT cancelled					
Wallaby	NC	B2C/B2B	0	Neutral	Minimal	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	5
Koala	NC	B2B	0	Neutral	Minimal	\$600,000	\$500,000				5
Ostrich	NF	B2B	0.25	Positive x1	Medium	\$1,707,500	\$700,000	\$200,000			7
Elephant	NF	B2C	0	Positive x 2	Medium	\$250,000	\$300,000				6
Grizzlie	M	B2B		Positive x 3	Medium	\$900,000	\$850,000	\$400,000	\$400,000		10
Tiger	M	B2B	0	Positive x 3	Medium	\$350,000	\$370,000	\$300,000	\$200,000		10
Vole	B	New	N/A	Positive x 10	Extreme	\$2,000,000	\$3,000,000	\$25,000,000	\$2,000,000		15
Platypus	IS	Open	Unknown	Positive x 1	Minimal	\$5,500,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000	
						12,307,500	10,720,000	30,900,000	7,600,000	5,000,000	58
Key: NC=Neutralize Competition; NF=New Functionality; M=Maintenance; B=Potential Blockbuster; IS=Innovation Stimulation											