



GDCA

Eliminating the Fall-out from Moore's Law: *A Profitable Alternative to End of Life*

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Innovation is a double edged sword:
offering new product improvements,
with diminishing support for aging products.



Obsolescence speaks for itself:

“Everybody agrees our EOL policy creates scrambles, but it’s hard to say no when a customer comes back for more support later.”

-Director of Engineering

“We offer long-term support contracts, but we don’t sell that many and customers still come back later asking for another LTB.”

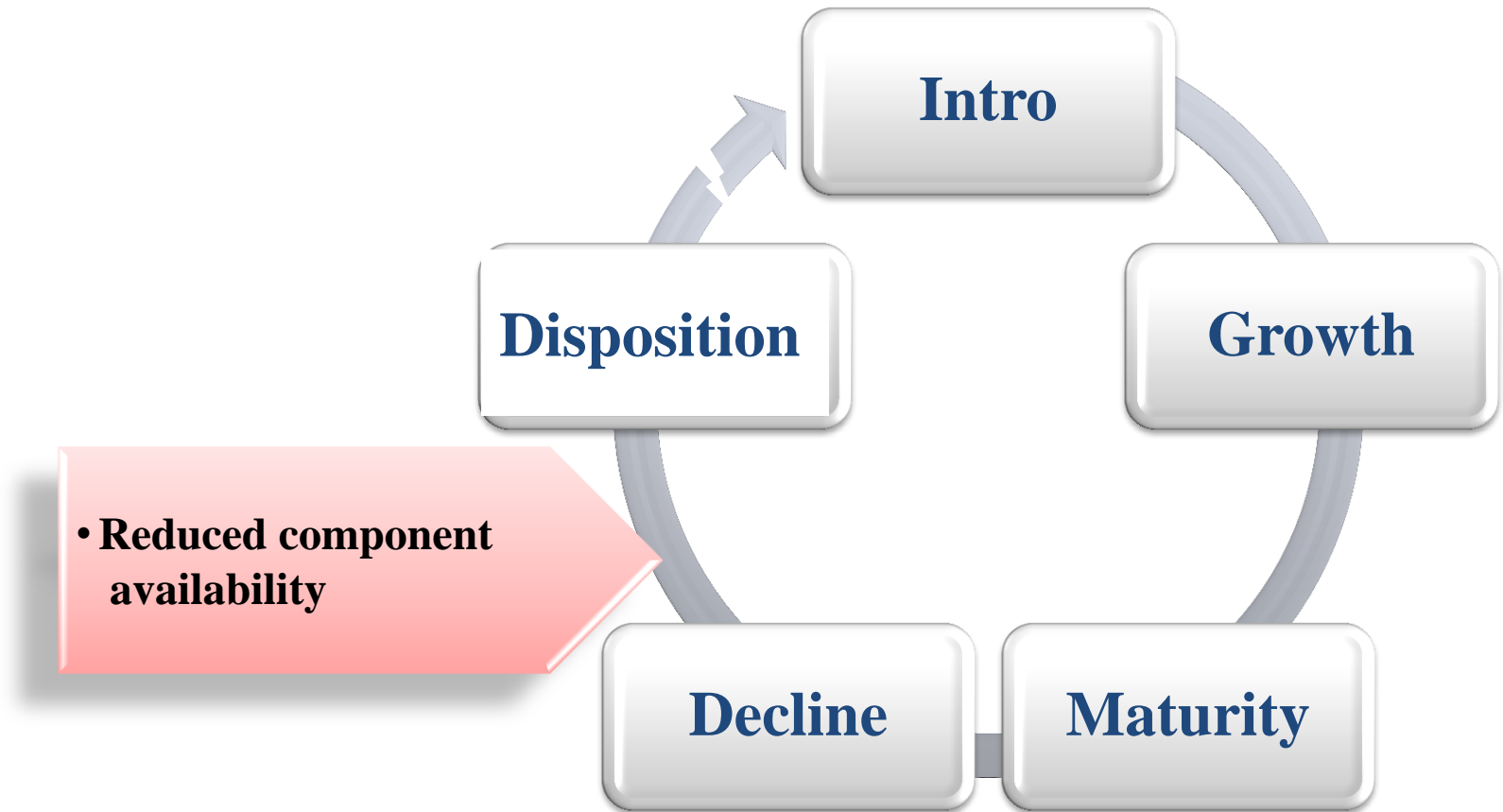
–Director of Quality

“This older stuff is a total distraction. ”

–Director of Global Manufacturing

Product Life Cycle Management (PLM) Model

Obsolescence pushes everyone into an EOL corner, where it seems like the only choice is EOL.



The Cost of Obsolescence Management

Component EOLs drain the profitability of older products and distract from newer products.

Quartile	Revenue Share%	Effort Share%
Top 25%	86%	25%
50-75%	11%	25%
25-50%	3%	25%
Bottom 25%	1%	25%

REF: Peter Philippi, Strategex Consulting Group

The Cost of Obsolescence Management

EOL is defensive and sacrifices lifetime profit.

<u>Business Case Analysis:</u>	
°3 Legacy products over 3 years (FY09-2011).	
°6 different customers, avg order sizes: 82, :	
	Growth phase
Sales Revenue (\$)	\$ 707,355
<u>Normal Production Cost (\$)</u>	<u>\$ 481,001</u>
NET PROFIT (\$)	\$ 226,354
NP (%)	32%

The Cost of Obsolescence Management

EOL is defensive and sacrifices lifetime profit.

<u>Business Case Analysis:</u>			
°3 Legacy products over 3 years (FY09-2011).			
°6 different customers, avg order sizes: 82, 14, 18			
	Growth phase		Maturity phase
Sales Revenue (\$)	\$	707,355	\$ 707,355
<u>Normal Production Cost (\$)</u>	\$	<u>481,001</u>	\$ 481,001 68%
<u>Obsolescence costs (\$)</u>			\$ <u>197,144</u> 28%
NET PROFIT (\$)	\$	226,354	\$ 29,210
NP (%)		32%	4%

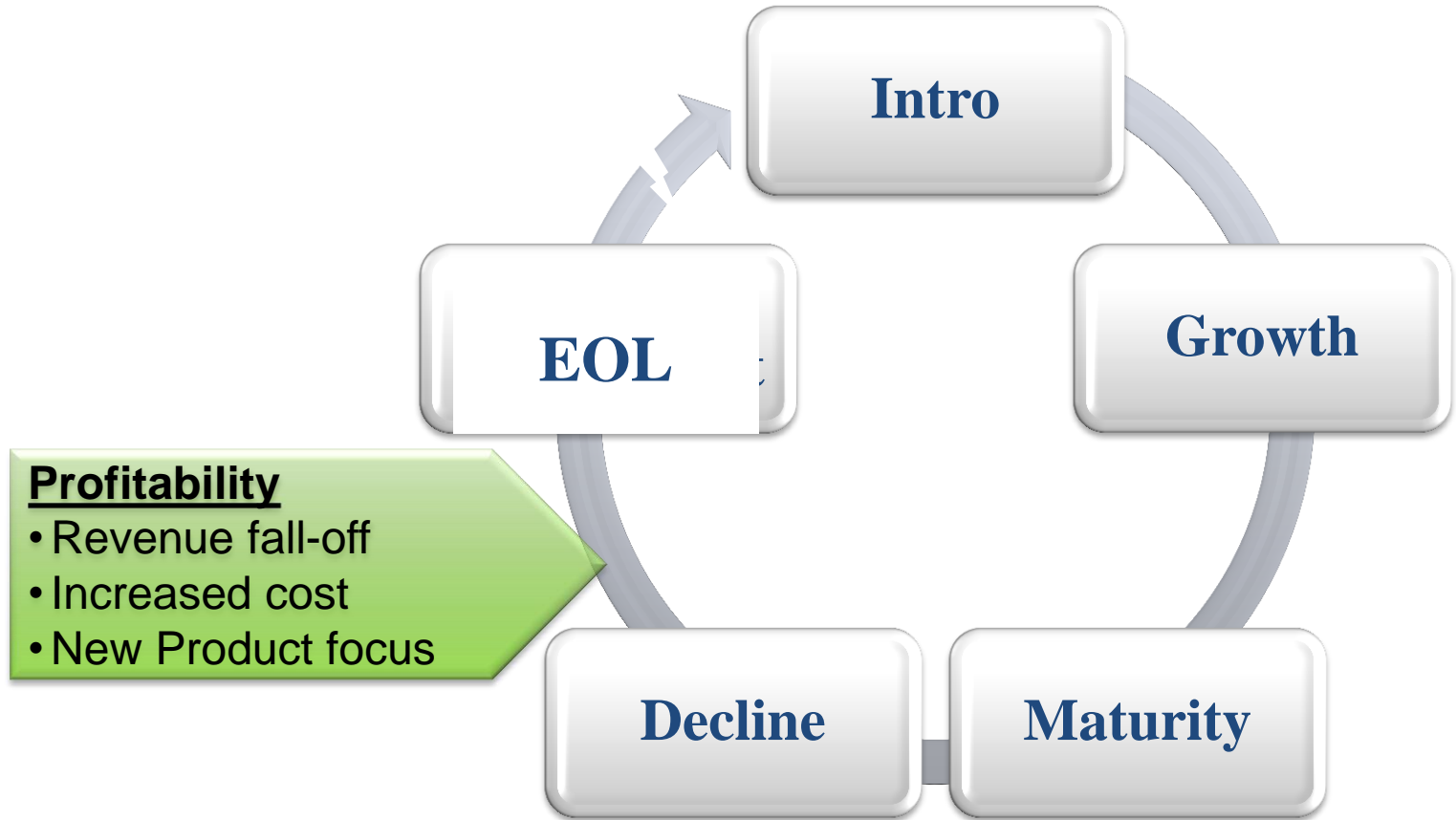
Obsolescence is like gravity



**You can't escape
obsolescence...**

Proactive Legacy Management (PLM+™) Model

A Legacy sustainment strategy offers everyone more options and profit than EOL.



Obsolescence Stops Distracting Teams

Legacy sustainment balances profitability and customer demand

Quartile	Revenue Share%	Effort Share%
Top 25%	86%	
50-75%	11%	
25-50%	3%	25%
Bottom 25%	1%	25%

REF: Peter Philippi, Strategex Consulting Group

Legacy Sustainment

Profitability driven life cycle decision criteria

The GOAL is to **maximize lifetime profitability**

ACTIVE
(no part issues)

Transition to MATURE if:

- Sales forecast < \$X/% and/or
- Part EOL notice received

- Profitability considers availability - but is not tied to it
- Accurate assessment of profitability for each individual product

The Benefits of Legacy Sustainment

Unlock profitable Revenue and Customer Loyalty

Business Case Analysis:

°3 Legacy products over 3 years (FY09-2011).

°6 different customers, avg order sizes: 82, 14

	Maturity phase	
Sales Revenue (\$)	\$	707,355
Normal Production Cost (\$)	\$	678,145
<u>Obsolescence costs (\$)</u>	\$	<u>197,144</u>
NET PROFIT (\$)	\$	29,210
NP (%)		4%

The Benefits of Legacy Sustainment

Unlock profitable Revenue and Customer Loyalty

<u>Business Case Analysis:</u>		
°3 Legacy products over 3 years (FY09-2011).		
°6 different customers, avg order sizes: 82, 14, 18		
	Maturity phase	Legacy Support phase
Sales Revenue (\$)	\$ 707,355	\$ 113,177
Normal Production Cost (\$)	\$ 678,145	
<u>Obsolescence costs (\$)</u>	<u>\$ 197,144</u>	
<u>Legacy Support costs (\$)</u>		<u>\$ 2,400</u>
NET PROFIT (\$)	\$ 29,210	\$ 110,777
NP (%)	4%	98%