

Acorn's Restructuring

September 1995

Acorn Computer Group plc has formed two new operating divisions, Acorn Education and Applied Risc Technologies, as part of a fundamental restructuring of its core business activities. The restructuring, which was announced on 12th September will allow the Group to focus its business more clearly on meeting the demands of specific markets and customers.

Acorn Education will build progressively on Acorn's education market leadership and strong brand reputation to increase its UK market share. Although overall staffing levels will be reduced within the Acorn Group, the number of staff dedicated exclusively to education will increase. Acorn Education will continue to focus on the sale of RISC OS based computers, but will seek to reduce Acorn's dependence on hardware sales only by providing schools with a broader range of value-added services, software and specialist products based on other industry standard technologies. Mike O'Riordan, sales & marketing director of Acorn Computers Ltd (ACL), will head Acorn Education.

Applied Risc Technologies will design and develop advanced products based on ARM technology. It will continue to develop for Acorn Education but will also seek opportunities with leading OEMs to exploit its expertise in silicon integration and hardware and software design based predominantly on the ARM microprocessor. Applied Risc Technologies, will be headed by Peter Bondar, who has recently joined the ACL board as technical director.

Acorn Education will be innovative by providing an appropriate set of products, taken from a broad range of third party products, rather than restricting itself just to the products that historically Acorn itself could have built. Because it understands the requirements of the education market much more clearly, it will be able to offer the most appropriate products, with the most relevant support services. However because of its relationship with ART, it will also be able to acquire products from ART which it will be able to offer to the education market. ART will be responsible for its business strategy but a key part of that will be to furnish the relevant and appropriate products for Acorn Education.

The Clan and enthusiast marketing will operate out of Acorn Education since we do not wish to duplicate the resources, sales and administration etc. brought together by Acorn Education. Enthusiast's market requirements will be fed back and used for future product developments in just the same way as they are today. It is not anticipated that this will result in any dramatic changes in their input or priorities. The Publishing and VARs organisations will be handled from within ART. We see Clan members as a major opportunity area, especially for future ART products and they will become a valuable market and test bed for a number of the more revolutionary ideas that ART plan to commercialise.

International sales will follow the same model as that for enthusiasts and will be supported with their own dedicated support numbers through the Acorn Education infrastructure. To help give you a better idea of what the changes will mean in practice I am enclosing a set of questions and answers.

Is this the end for Acorn?

Absolutely not. The future role of Acorn is to focus more clearly on the increase in the diverse requirements of our different markets and technologies. To this end we are making a fundamental restructuring with a division 'Acorn Education' which focuses very strongly on the total product and service requirements for UK education and 'Applied Risc Technologies', a division that will use our RISC technology in a number of diverse areas inside and outside of education. Online Media will continue to operate as a specific division focused on the major worldwide opportunity afforded by the set-top box revolution. The new management believes firmly that the opportunities for the Acorn Computer Group are brighter now, given our new focus and orientation. Given the financial underwriting of our shareholders, the company believes that it is more than capable of effecting this transformation and growing in 1996/97.

Will there be more cuts?

This radical restructuring and re-orientation is anticipated as being a one-off exercise. Clearly, if we are not as successful, then there could be the possibility of more redundancies. However we believe this fundamental restructuring will give the new divisions an opportunity for maximum future growth potential and consequently there is no anticipation of any further job redundancies.

What is Acorn Education?

Acorn Education is a new division of Acorn Computer Group. Its major focus is to provide a complete range of products and services, both Acorn proprietary and from other vendors, to satisfy the growing demand for a broad range of products and services from UK education. It is predominantly a sales and service organisation that will acquire products from other parts of the Acorn Computer Group and from other vendors.

What do the financial problems mean to education?

The education business has always been a core part for Acorn Computers and therefore it is our intention to retain that position and enhance it by offering a broader range of products with appropriate levels of service and support. In practice, we have significantly increased the number of people serving education.

How is Acorn Education different from Acorn Computers Ltd?

Acorn Education is a sales and service organisation with the emphasis on customer orientation. It is more closely associated with the requirements of the education market, whilst recognising our historical commitments and also our loyal customers who do value our technological content. This is a subtle but significant move from our previous approach.

Does Acorn have the experience, intellectual skills and people?

Given our knowledge of the education market, our knowledge that we have acquired in non-proprietary and other hardware and software, it is not beyond the capabilities of Acorn Education to effect these changes and move forward. Issues like the PC Card, Power PC, the Psion products and multi-vendor networking, have already led us to a fundamental understanding of the technologies that our customers may wish to use. Therefore the positioning of Acorn proprietary products and the products from other vendors is clearly understood by Acorn.

Will Acorn Education have any/enough products because technical resource has gone?

Quite the contrary. Because of a wider group of marketing people and a larger group of technical support, Acorn Education will be able to offer a broader range of products than previously.

However because of its relationship with ART, it will also be able to acquire products from ART which it will be able to offer to the education market. ART will be responsible for its business strategy but a key part of that will be to furnish the relevant and appropriate products for Acorn Education.

What is the relevance of Acorn on the world stage? Should Acorn continue to be supported?

Acorn continues to be a company that achieves worldwide interest. The primary goal of both Online Media and ART is to achieve a world wide position and value. Acorn Education will operate predominately in the UK market by offering a broader range of services and products. **It** will plan to increase its revenues and wider the territories we have traditionally supported.

How will customers be supported?

Support on a day-to-day basis will operate through the Acorn Education support organisation. Given the support infrastructure being put in place by Acorn Education, it makes sense to use this to support our other customers which in volume terms are much smaller than our education market. They will of course be given their own telephone numbers and escalation procedures and should see an enhancement of service as they are moved closer to the main stream support groups.

Are Enthusiasts/Publishing needs greater/different to education?

The requirements of our enthusiasts and VARs are different to a certain extent from those of education. Again for operational reasons, they will be managed in the most appropriate way. Chris Cox, although resident within the Acorn Education Division, will be responsible for handling enthusiasts (this is because we know a large number of enthusiasts are also in education). The VARs organisation will be handled from within ART. Enthusiast's market requirements will be fed back and used for future product developments in just the same way as they are today. It is not anticipated that this will result in any dramatic changes in their input or priorities.

Is this is Acorn moving out of these markets?

Not at all. In fact the issue really is one that Acorn wishes to put further effort into these markets, and with the establishment of ART, we can devote proportionally more intellectual effort in meeting their requirements, without necessarily having to compromise within the educational environment. The Value Added Resellers and enthusiast market remain the major opportunity area and a successful, commercial relationship with these customers remains a priority.

What will happen to the Clan?

We have no plans to stop the Clan. It has been highly successful for us and we have gained great feedback. We hope to use the Clan to push the ART message and to gain further sales, especially from some of our future high performance platforms. We see them as a major opportunity area, especially for future ART products and they will become a valuable market and test bed for a number of the more revolutionary ideas that ART plan to commercialise. The Clan and enthusiast marketing will simply operate out of Acorn Education since we do not wish to duplicate the resources, sales and administration etc. brought together by Acorn Education.

What will happen to Publishing?

Publishing will be serviced as part of our normal VAR market. Within the strategy for VARs, we are focussing in on the multimedia, high end graphics / video type aspects which will be applicable to Publishing, as well as broadcast industries and others in a similar domain.

How will International markets be supported?

International markets will be supported predominately through the Acorn Education Division, since as we have already stated they have the majority of the infrastructure necessary to achieve this with economy of scale. International organisations will be given their own telephone points of contact and will be handled by the support organisation as a recognisably different group of customers.

Why this approach?

The whole strategy allows our respective divisions to focus on the things they believe they need to do to achieve substantial revenue and growth and they will be able to achieve some of the key business objectives needed to be credible players in the twenty-first century. By de-coupling our relationship between Acorn Education and Acorn technologies, we can best focus our strategies to address both these areas which are increasingly becoming different.

Do Acorn's products have relevance in today's world?

Acorn's products are highly relevant in today's world. However because of the position in the desktop world market, our sales and marketing capability to convince people of their validity, is somewhat limited through sheer lack of resources. That is why ART is moving to a business model, that focuses on selling our technology to other high technology and consumer companies who will then offer the necessary sales and marketing support.

Is Acorn moving to become a "me too" player?

It is true that in the education market, Acorn will offer products similar to the ones available through other organisations. This is an inevitable consequence of the changes in the education market and the pressures brought to bear by global players. In the technology world, Acorn is anything but a "me too" player and offers a number of unique services and facilities that are only available in the Acorn community.

Won't developers start to jump ship?

The worldwide market for non RISC OS products is already large and developers have started to produce products which are cross-platform. People who are utterly convinced that the only route for them is to develop uniquely ARM based products on desktops for education, will find that their market over time will be restricted. However software developers who want to produce products on a broader range of platforms will see their opportunities expand, especially through the sales and marketing capabilities of Acorn Education. There will be a whole group of developers who will be able to work with ART to produce new types of products aimed at some of the new opportunities afforded by ART.

Will Acorn stop making or designing computers?

ART has a committed development plan to produce both the current and future versions of the Risc PC and A7000s for Acorn Education and its VAR markets and will probably be producing a new range of high performance desktop computers. ART will also be designing computers for a variety of other people, largely in a custom or vertical market application area. There is no intention that the Acorn Computer Group will get out of designing or making computers, although they may well be focused in different areas to the ones that we have traditionally made.

What does Acorn Education offer?

Acorn Education offers a broad range of computer hardware, computer software, services and support, predominately orientated around the requirements of UK education.

Does Acorn Education still sell consumer orientated products?

Yes. Especially where they are based either on the concerned parent market or on our enthusiast market.

Does Acorn still have dealers for consumer sales/overseas?

Acorn Education will be responsible for controlling both the UK dealer sales organisation and managing the co-ordination of our overseas activities. There is no plan to shut these down.

What about Acorn World?

Acorn World carries on as originally planned. We do not plan to make any significant changes, apart from communicating the organisational changes and the future business strategies of ART and Acorn Education.

How do we buy?

People will buy products as they do already through either the direct route if they are an educational institution or via our dealer organisations.

Who do we talk to?

Communications will typically take place through the normal sales and account management, through normal dealers, AEC and agent channels. The external presentation for Acorn will remain largely the same.

How will we see new products?

New products will be released to the market through our conventional channels, that is our agents and dealers and will be supported by the appropriate exhibitions. Future products from ART will also appear through ART's customers' channels, who will be bringing their sales and marketing influences to bear.

When will we know what products and services Acorn is offering?

Acorn Education is producing new and regularly updated product catalogues that will cover the range of products which they offer. Additionally there will be enthusiast specific information that will be made available through our enthusiast dealers and all these will be communicated through the normal press and communication channels.

Who sells software and peripherals, Acorn or the developers?

Software and peripherals can be made available through both Acorn and the developers. It will be decided on a case-by-case basis how these are offered and where the most logical route is to be. The key proposition that Acorn Education offers to developers is that it has a highly structured, efficient communication channel to pass products through. Our research shows that most developers spend proportionately very little effort on sales and marketing and therefore the Acorn Education sales and marketing logistical machine will be able to furnish them with an excellent route to market. This is not an exclusive operation.

Will Acorn Education's range of products and services encroach on AECs and LEAs operations?

It is anticipated that most of the services offered by Acorn Education will be largely complementary to that of the LEAs and AECs. Again detailed knowledge locally will favour AECs and LEAs in certain areas and the scale of operation and detailed technical knowledge will favour Acorn. We see these as co-existing and to a large extent, complementary.

What about repair issues?

Repair and service and support will be handled very much as before, apart from the fact they will all be clustered through the Acorn Education Division and will therefore achieve, greater economies of scale and more efficient utilisation of knowledge and people.

What about network installation or site surveys?

These will be offered through Acorn Education and its agents and their subcontractors and again, we do not anticipate any fundamental changes in the procedures that we have already put in place as part of our move towards agents.

How does a developer get his product on Acorn's product list?

Developers who wish to have the active support and marketing of Acorn should contact the Third Party Product Manager within Acorn Education, who will see how it fits in with the overall strategic objectives of the catalogue and discuss its appropriateness. This is largely driven by commercial issues.

What is ART? How will it impact on me?

ART is a brand new division of Acorn Computer Group. Its job is to develop high technology products and services and components which can be sold directly through Acorn Education, ART or its Value Added Resellers. We anticipate in the future ART partners who have substantial sales and marketing organisations will take ART products, technologies and services and use them in more sophisticated products, typically revolving around ARM technology.

What does ART offer?

ART offers a one stop service involving design, consultancy and production of a number of high technology components, ranging from discreet software entities, through to complete microprocessor based solutions.

Will ART sell computers to the public?

ART will be selling its products through either the Acorn Education distribution organisation, or through its Value Added Resellers which again will then pass their products across to the public. It does not expect to sell to the public.

Who do I talk to, Acorn Education or ART?

Most customers will be handled in the first place by Acorn Education, apart from high technology companies wishing to embed ART software or hardware in their designs. Acorn Education has the sales support and tracking infrastructure to ensure management of large numbers of people. The relationship between ART and Acorn Education should ensure a higher level of service between both organisations.

Why should I keep on developing for Acorn platforms?

With the installed base of RISC OS computers in education and in other areas and with the committed development plans that ART has, there is a substantial business for developments, upgrades and sales of new products to both new and future customers. ART's product strategy will allow developers in future to take advantage of some of the new technologies that are now appearing and are under the control of major vendors, such as IBM, Apple and others. ART will be able to guide software developers in the best way to maximise these benefits and Acorn Education will offer an excellent channel to market for their existing and future products.

There is no future in Acorn products?

Again, due to the installed base, the future business plan and use of new technologies in the future, users and software developers' perception of Acorn products should be that of a smooth continuum. We anticipate a development programme based on Risc PC and its successors that will give customers a forward visibility for at least 5 years.

How will ART help my business?

ART, because of its strategic mission to produce licensable products for use by other manufacturers as well as developing its own products, requires a constant source of good ideas and technologies to incorporate, so any software or hardware organisations that have ideas relating to ART's business strategy are encouraged to approach ART with collaboration, co-development or licensing agreements.

Who will support the products I bought?

First line support for all products will be provided through Acorn Education. They have a direct link with the technical specialist in ART to provide back-to-back support.

Do I have to meet style guide or quality guidelines?

ART expects software houses to adhere to standards broadly supportive of the ISO 9000 approval process and would expect software houses to comply with whatever engineering or style guide documents are relevant at the time. A level of commercial practicality has to apply but with the caveat that we expect people to follow style guide and quality guidelines.

What core skills does Acorn Education have?

Acorn Education is predominately a sales service and support organisation focused around the education market, therefore its skills are a deep and thorough understanding of education, an organisation committed to service and support and the necessary business management and sales and marketing to assure it of its commercial viability.

What core skills does ART have?

ART is a new organisation. It has a detailed and thorough understanding of a number of ARM, RISC OS and Acorn based technologies, along with the necessary commercial and administrative support functions to allow them to deliver products and service customers.

What Intellectual Property Rights (IPR) does Acorn have?

Acorn's intellectual property is contained in both its historical developments and some of the new research and development programmes. This covers a number of areas ranging from video image and sound renderers and Codecs, through a small, robust operating system, "microprocessor type" interfaces and a variety of products derived from our historical, developments.

Will Acorn still offer developer support or is this only for educational developers?

There will be a dedicated service and support organisation for all developers within Acorn Education. This will be a sub-group of the wider service and support organisation and this group will have back-to-back access to ART for resolving operational queries or issues.

What about situations where Acorn has intellectual property that it has acquired from third parties?

ART will obviously acknowledge all its legal obligations. ART will use third parties with their intellectual property wherever appropriate and seek some active and open environments for this to happen.

Will there be an official launch of ART?

ART is already in business, today. We will be spending some time in the next few months explaining ART, its roles and its relationships, to all interested and relevant parties.

How will ART and Acorn Education interface?

ART and Acorn Education will interface via a set of formal agreements, outlining product strategy and product requirements. In return ART will deliver the specified products and projects.