

Perfect Original Quarterly

WINTER 1989

A Little Communication Goes A Long Way to Keep Products Moving Out & Revenue Flowing In



Norman Tu, Pres.

We believe, and many of our customers have told us, that what sets DisCopyLabs apart from other software duplicators is the breadth and quality of our products and support.

We manage our business to achieve the greatest degree of customer satisfaction. That's the not-so-secret reason behind our success.

Naturally, we can most effectively support customers who tell us their needs early enough for us to plan and provide everything required to meet their schedules.

Occasionally a situation arises when a customer is just unable to give us enough notice to handle his entire order. Sometimes it may be impossible for us to allocate all the required resources in the short time allowed to deliver the finished product.

This doesn't affect our duplication capabilities, which are automated and can handle very large volumes with very short lead times. In addition, we have considerable excess production capacity for unusually large demands.

What is affected by short customer lead times is the product assembly area. These include such functions as receiving, storing and accounting for inventory, printing and affixing labels to materials, inserting and collating

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Ideal Product Assembly Results From Planning and Professionalism

The combination of increasingly larger software packages and the desire for tighter and tighter turnaround times makes close cooperation between customer and DisCopyLabs a necessity.

"As many customers specify software packages with numerous and varied components - some containing up to 40 individual items, more coordination is needed to assemble them properly and on schedule," said Antonia Tu, Vice President for Operations.

"Without joint planning before the customer makes final decisions about a particular package, the chances are pretty good that something may go wrong and product delivery could be delayed," she said.

Two glitches seem to occur more frequently than others. Fortunately, both are easily avoidable. The first is that suppliers of the customers' package components, usually printed materials

such as manuals, business reply cards, templates, stickers and labels, are often late in delivery.

The other is short quantities of materials. Shortages can happen when the customer pulls samples for future reference, or some items, such as package sleeves are damaged in assembly, or the vendor doesn't produce the ordered amount.

"Usually, it's a very inexpensive item that comes up short, like a sticker or label or one page instruction sheet. So because a two cent component is missing, the whole line has to be shut down," said Mary Kung, Packaging Manager.

"Not only can't the product be shipped

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Mary Kung, Packaging Manager (far right), leads the Packaging Division team. Packaging orders are coordinated by (left to right) Labelling Supervisor Peter Chak, Packaging Coordinator Johnny Singh, Packaging Supervisor Pam Cuthbertson.



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Communication Goes A Long Way

media and documentation, serializing, heat shrink wrapping of components, and other mostly manual steps.

Software packages differ from each other in shape, the number and size of insertions, labeling specifications, package style, and format. Product assembly is virtually customized, and is labor and time intensive. Physical space in our facilities must be reserved to set up production lines. Labor must be scheduled according to how many people, shifts, and days are necessary for the project. The flow of inventory and assembly must be documented and arranged. In short, there are lots of pieces to this process.

Customers can assure access to all our services if they integrate DisCopyLabs into their product planning and production cycles. Think of us as a resource to be factored into planning. We definitely have the capacity to meet our present customers' assembly needs, and we are adding more capacity to provide for their future growth.

Then we should always be able to

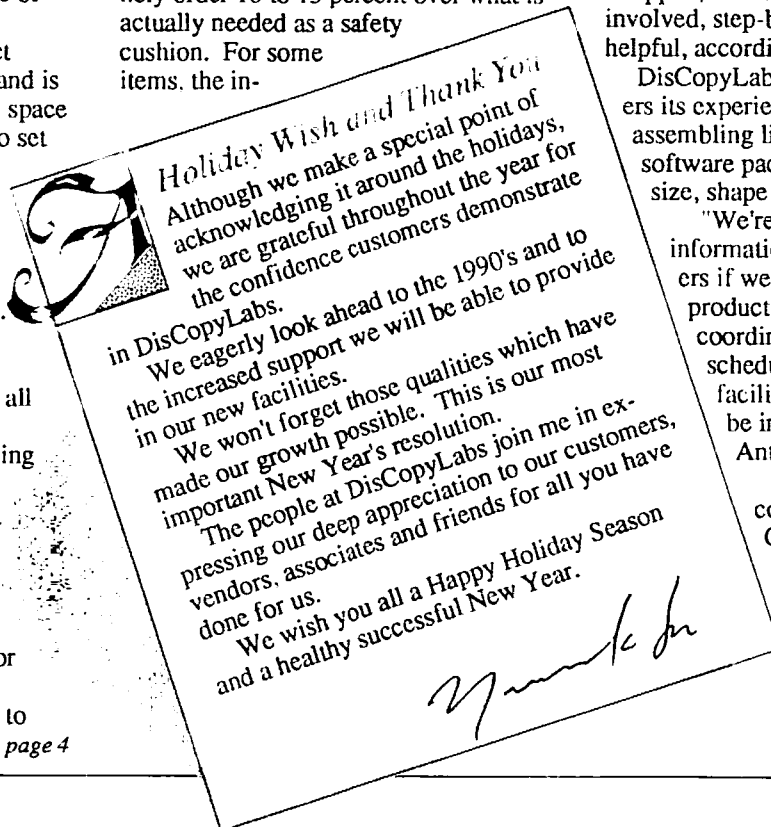
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Ideal Product Assembly

on time, but there's the extra cost of reordering the component and restarting the assembly process," she said.

Mary maintains the best way to avoid this problem is for customers to routinely order 10 to 15 percent over what is actually needed as a safety cushion. For some items, the in-



cremental cost is relatively low and well worth it to get product into distribution on schedule.

It also would be beneficial for a customer to visit DisCopyLabs to observe the entire software manufacturing process - how materials are inventoried, inspected, staged, kitted, collated, wrapped, inserted, and the labor involved, step-by-step - would be very helpful, according to Antonia.

DisCopyLabs can share with customers its experience of duplication and assembling literally millions of software packages of every possible size, shape and format.

"We're able to provide expert information and advice to customers if we can get involved at their product design stage. Early coordination also allows us to schedule our resources so all facilities and inventory would be in place and ready to roll," Antonia said.

All-in-all, early communication with DisCopyLabs about possible future needs is the kind of win-win move that benefits everybody.

Some Suggestions To Facilitate Software Assembly

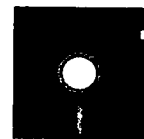
The following are some hints that may improve and lower the cost of product packaging.

- Get to know the software packaging process. The more informed you are, the better your packaging decisions will be.
- Allow enough time to design and plan your product packaging. It represents your company and the software it carries and protects.
- Get the benefit of expert advice from DisCopyLabs as early in the product cycle as possible. Package assembly costs are directly related to package design. DisCopyLabs' extensive experience can save customers up to 20 percent in assembly costs - if involved in the early stages of package design.
- Follow-up on vendors making components to be sure they deliver the right volume of materials on time. It is a good idea to check with DisCopyLabs to confirm that material shipped from

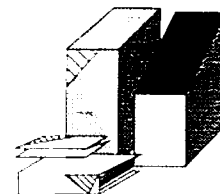
vendors actually has been received.

- Order at least 10% overage of package components. The chief cause of delayed product shipments is running short of items during assembly.
- White or very light-colored boxes and attachments tend to smudge or pick up marks during the assembly process. Consider darker tones.
- Mixed media formats - 5-1/4 in., 3-1/2 in., data-cartridges - may damage each other if not properly cushioned within the package.
- Square-edge manuals shrink-wrap more neatly than round-edge ones. Spiral bound booklets are difficult to wrap effectively and are awkward to package along with other materials.
- Review DisCopyLabs' extensive services. As a one-stop, turnkey software manufacturer, it's likely that DisCopyLabs can handle many of the packaging jobs you send out to various vendors.

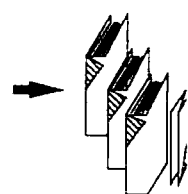
SOFTWARE MASTER



DUPLICATION



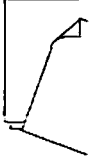
PRINTED MATERIALS FROM CLIENT



INCOMING INSPECTION



SAMPLE & BOX FROM CLIENT



PACKAGING INSTRUCTIONS

For Perfect Packages, Focus On The Details

Good documentation is the basis for efficient, cost-effective packaging and, ultimately, producing the exact package the customer wants to bring to market.



The importance of accurate and complete documentation can't be overstated, according to Narinder Johnny Singh, Packaging Coordinator for DisCopyLabs. Documentation is

used for quality control as well as the guide to package production.

To support the assembly function, Singh and his group compile a Bill of Materials (BOM) from customer-supplied information. It lists and describes components, their part numbers and other relevant data. For example, if a part is to replace an existing part in inventory, the bill would give the effective date of the change.

"Unfortunately, many times the part numbers don't match and the discrepancies have to be corrected before it's safe to go on. Production is halted until the problem is resolved," Singh said.

Johnny's crew will check a customer's sample package against the bill, or they will build a sample by referencing the document. It's critical that customers put part numbers on all components.

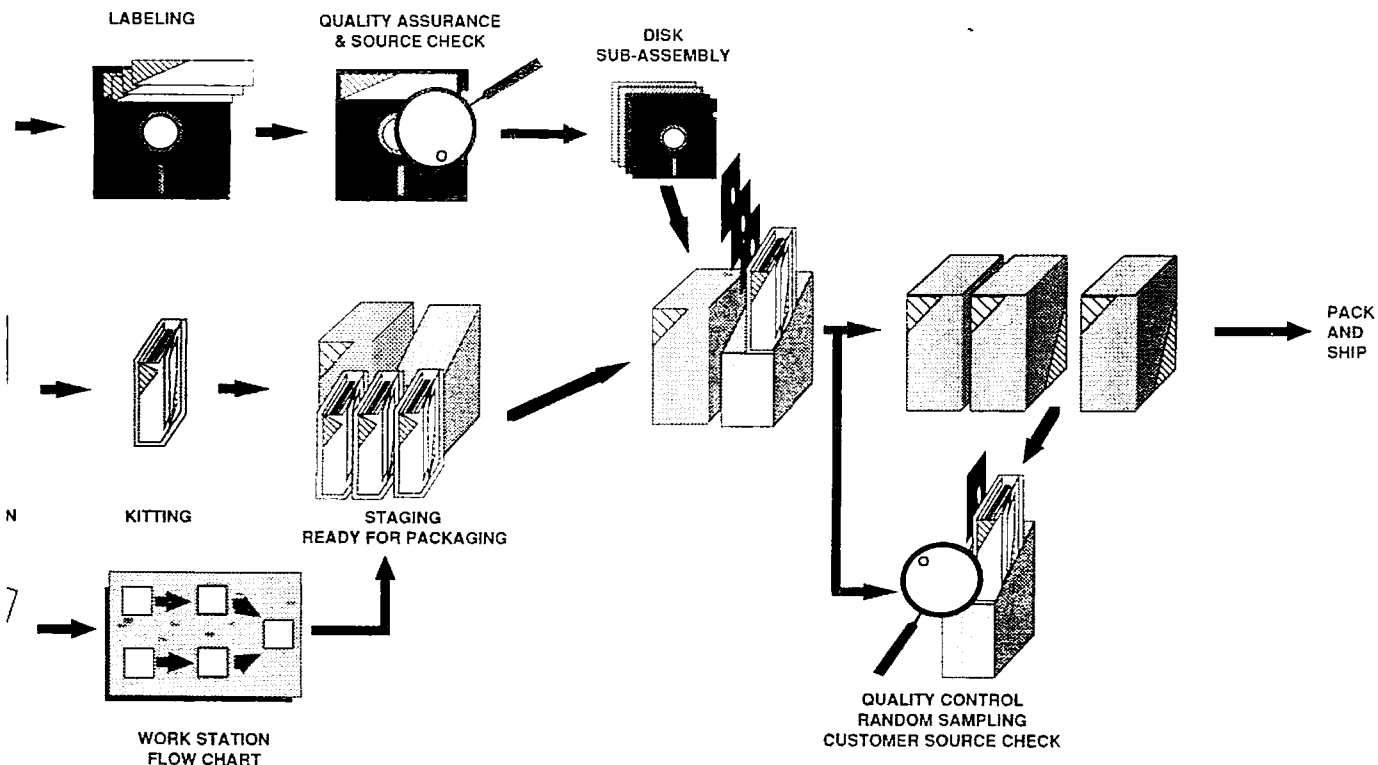
Another document created from the customer's specification is the assembly instructions, a detailed guide to putting the product together. Sometimes the instructions don't match the customer's package specifications. For instance, a manual may be too large for the box or it may be too thin to be shrink-wrapped without bending. The job is held up until the situation is cleared.

When supporting documentation is determined to be accurate, DisCopyLabs creates a flow chart. It specifies everything involved in packaging, including the number of people and time required, a production and facilities schedule, what prep work must be done, how sub-assemblies are to be handled- the whole process leading to the final product.

As packages are completed, Q.C. checks are made to assure correctness. "If a problem is discovered, we stop the line and do a 100 percent inspection. This can result in significant rework, delays and extra cost, but it's the safest way to achieve error-free products for shipment," Singh said.

"Most, if not all, problems come about from the last minute attention given to packaging. Naturally, the customer's prime focus is fine tuning his software product and debugging the master, then there's a scramble to get other items done. Usually they are rushed to various vendors under deadline pressure, so they may not get the attention they need."

"That's why the chances of a packaging problem occurring are greater than a software problem."



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Communication

meet customer delivery and revenue schedules, even shipment spikes resulting from quarterly releases and the fourth quarter push to get maximum product out before year end.

Thanks to DisCopyLabs' manufacturing system, a 30-day projection is sufficient to achieve trouble-free, full turnkey service. This includes duplication, receiving, warehousing, material planning, kitting, assembly and fulfillment.

To be sure that DisCopyLabs resources are available when needed, meet regularly with our Account Managers, preferably weekly but not less than monthly. If it can't be in person, or if something suddenly develops between meetings, our people are accessible through electronic mail, facsimile, MCI Mail and, of course, by the "old" telephone and mail.

Occasional assembly bottlenecks will be greatly reduced when we begin operating at our new, much larger facility in January. Nevertheless, as we continue to grow, we're looking far

down the road for innovative solutions.

We have commissioned a study by a consultant organization specializing in production and process control to explore the possible automation of software package assembly. The key to revolutionizing this traditional bottleneck may be robotics, a possibility requiring a substantial investment. We

are seriously investigating this and other options that would result in significant customer benefits and greater efficiency.

Whatever the future demands on DisCopyLabs, we are determined to continue providing the high quality products and support that fully satisfies old customers and keeps attracting new ones.



NO INTERRUPTION IN SERVICE

DisCopyLabs' new facility, shown here as it looked in late October, will be ready for business in mid-January. It's located at 48641 Milmont Drive, Fremont, 94538, not far from the Dixon Landing Road turn-off from Highway 880. The move will be made over the weekend, and there will be no interruption of service to customers.

DISCOPYLABS

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| • Orders - Diskettes | Peter Young |
| | Lori Grim |
| | Frank Gutierrez |
| | Kathy Tabke |
| | Tony Bandith |
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