

Resumption of Aerial Pre-Launch Meeting One Week later Roth and Barren had spent much of intervening week reviewing the cost estimates. We are late to market and we'd be pricing at a substantial premium. Allen Roth concurred, pointing to the drivers of the cost increase: "Incorporating the satellite imagery requires five times as much memory as our standard graphics. That increases cost—but if you cut it, you undermine Aerial's value proposition. Then we also did some reconfiguration internally, and that increases the labor required to put one of these together." As Emma Richardson passed out copies of the new cost estimates, she explained that Roth and Barren had agreed to make minor changes to the Ariel prototype, and that they now felt it could be produced for approximately 8% less than the prior week's estimate. Ed Pryor and Richardson huddled together, while Allen Roth and Tony Barren carried on a conversation with Harold Whistler. When the team re-gathered on March 14, the participants seated themselves around the conference table (see Exhibit 5 for a seating chart). On this basis, the Aerial, could be priced at \$ 475, about \$ 100 more than the current full -featured TerraCog GPS. A long silence followed, then Cory Wu spoke up. "Eight percent—that's all? I don't understand it. I'd like to know where the differences lie between our costs and Post Haste's on Birdsl. There's got to be room for more cuts." The update speed is terrible, and switching between functions is just— ALLEN ROTH: Come on, don't start talking speed now. Becky Timmons, the CFO, was in attendance. "We've cut what we can. Last time we got pressured into being too aggressive on cost estimates and then we got burned when the price of plastic went through the roof. I'm not making that mistake again." Garmin just announced their satellite-image version, which will hit shelves at somewhere around \$395 MSRP. ED PRYOR: \$475 tops—but we should be lower than that if are going to be aggressive at recapturing lost share. With fuel costs still rising, the cost to get these here from Shenzhen will only increase, and we run the risk of our margins really getting squeezed. Barren snorted derisively. He paused, surveying the frustrated faces around him. "I don't like the situation any more than the rest of you do, but we've got to be realistic. Look at the numbers in front of you—there's nothing we can do to further reduce the costs." As everyone scrutinized the new cost estimates, the meeting broke into several conversations. ED PRYOR: We have to consider the selling price of the Aerial relative to competition. Posthaste is selling at around \$250 to dealers, which means they retail for around \$400. HAROLD WHISTLER: Okay, then how about a redesign?