



## ANNEXURE B

# Service Overview & Recurring Fees



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## BACKGROUND

Spinnaker develops, implements and supports (“user assistance”) retail/wholesale solutions for clients using its proprietary Arch Software Products around which solutions are formulated. The aim is to provide Arch Users with The Edge in the competitive world of retail/wholesale.

The Edge is achieved by understanding the challenges within the retail/wholesale space and using market knowledge and new technologies to create business processes that will mitigate the challenges.

The fit-to-function suite of Arch products and services enables Users to:

- effectively execute inventory and margin plans
- improve control and understanding of company operations
- provide better customer service
- improve profitability and cash flow.

Solutions are workshopped with Users before implementation and are signed off by a User to ensure that they agree with the proposed solutions and implementation procedures. Solutions include:

- Application of Arch Software products
- Third-party software and/or hardware
- Value-add services
- Implementation services (installation, commissioning, and coaching)
- Elementary implementation training and user assistance services.

Quotes on solutions may include all of the above elements.

Upon implementation, clients/users receive electronic system manuals (via Web Portal). Elementary training is conducted in two phases, the first at ‘go-live’ to get the store trading effectively and the second at the first stock count shortly after activation. The second training session may also be used as a refresher on the ‘go-live’ training.

Retail trading environments are subject to multiple influences resulting in continual changes in the markets and consequently in solution requirements. Some of these changes are controllable, while others are not. To ensure that Arch Users remain relevant and competitive in this challenging environment, Spinnaker offers assistance through its branch network and a highly competent technical team.

To maintain and support its purpose Spinnaker,

- Invests in developing its staff, and in retaining its highly skilled and experienced technical staff.
- Continually invests in its product offering by improving the existing functionalities and adding innovative new functionalities.

As Arch Software Products are continually improved and upgraded to meet market demands, their economic value to the business never depreciates.

## 2 FEE RATIONALE

Spinnaker's approach is to establish long-term symbiotic relationships with Arch Users. This enables both parties to benefit from the relationship. This approach has made Spinnaker an industry leader in the markets it operates in. Fees are determined by considering and balancing the needs of Arch Users, affordability, Spinnaker's economic viability, and alignment of both parties' interests. Consequently, the following fee model is applied:

**2.1 Solutions Formulation** – where a standard generic solution is adopted the cost forms part of the sales process. Joint Application Development Sessions to develop a non-generic/new solution or formulate more complex generic solutions are charged on a time and material basis.

**2.2 Implementation** – This Includes the sale, and delivery of Arch Software Licenses, Solution Hardware, 3rd Party Software (Windows, SQL, Accounting), Implementation Services (Installation, Commissioning & Coaching) and Elementary Training. These are quoted and delivered accordingly.

**2.3 Maintenance & User Assistance Services** – These include 1st, 2nd and 3rd line Maintenance and User Assistance services on Arch Software Products (Arch Retail G1, Arch Retail G1 BO, Arch Enterprise, Arch Mobile). The Maintenance and User Assistance Services are delivered against payment of a recurring (monthly or annual) fee payable in advance. Recurring fees aim to:

- Make the “unknown” cost factor of a time and material model a “known” factor. Such unforeseen costs include direct and opportunity costs of hardware failure and upgrading discontinued software versions.
- Issues reported by contracted clients take priority.
- Aligns the parties' interests to ensure Arch is used optimally and economically;
- Enables Spinnaker to train and employ skilled and specialist staff and to offer employees a long-term career path. This has resulted in higher than industry standard staff retention, which results in high levels of industry-specific knowledge within the business, which in turn enables the business to deliver better products, and services to our clients.

**2.4 Value Add Services (“VAS”)** – VAS requires development and ongoing user assistance and maintenance of an interface to ensure Arch interoperates effectively with the VAS Provider's system:

- In the case of a generic value-add solution only recurring fees are charged which are payable in advance;
- In the case of bespoke/non-generic value-add solutions, development service fees are charged, while maintenance recurring fees are charged in advance;
- Fees are based on the investment committed, required returns on the investment, an assurance fee %, assumed user assistance levels and upgrade times;
- Currently, VAS includes integrated EFT, integrated virtual airtime, loyalty, cash payment solutions and ESL.

**Arch Financial Integration (“AFI”)** – AFI provides an interface service enabling Arch Users to integrate their Arch Software Products seamlessly into their ERP solution. To successfully provide these services Spinnaker developed its Arch Equilibrium Interface, but also requires accurate account mapping, setup and continuous monitoring by clients. This requires well-trained, skilled, and experienced staff. Fees charged are as follows:

- Interface and ERP System Implementation – quoted and billed upon completion of implementation
- Services – ad hoc accounting and consulting services are quoted and billed upon delivery of the service
- Recurring AFI Fees are levied for usage, monitoring and user assistance of the Interface system.

**Environment** – The Arch User’s primary responsibility is to implement and operate Arch Products in an optimal environment, as outlined in the Arch Client System Obligation Document (“ACSOD”). Major areas covered in ACSOD are:

- Master data and the integrity of Arch data
- Networks
- Electricity & power
- Cleanliness
- Operating temperatures
- Hardware & Software (Operating system, Arch products and any other 3rd party software)
- Anti-virus software renewals, updates, and maintenance
- Communication and ACL router
- Competent staff trained by an Arch-accredited trainer and/or through InArch
- Remote access and security
- PC specifications
- Arch & 3rd party licensing
- PCI Compliance – [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org).

## SERVICES COVERED UNDER MAINTENANCE & USER ASSISTANCE SERVICES WITH RECURRING FEES

### 1st Line Remote Hardware & Software

- On-site Hardware User Assistance (Branch):
  - » Periodical maintenance
  - » Equipment Failure - A technician will be dispatched to the site and, subject to equipment availability, a loan unit is provided in the event of the faulty equipment being irreparable on site;
- User Assistance - access to the User Assistance Desk for assistance with Arch-related queries. Such user assistance is limited to users that have received training from an official Arch trainer. Training is excluded;
- Elementary Troubleshooting (User Assistance Desk).

**3.2 2nd Line Remote Software** – Provided by User Assistance Desk, Branches & Technical Department.

- Transaction reversals and corrections caused by errors in the system;
- Technical investigations and troubleshooting due to an error in the system;
- Environmental technical advice and operational systems advice;
- Interface investigations;
- SQL DB User Assistance - Due to the number of transactions in retail outlets, vast amounts of data accumulate in databases, which requires regular maintenance to maintain performance levels.

**3.3 3rd Line Remote Software** – Provided by Spinnaker Technical Department

- Bug fixes;
- System-caused Data Corrections – correction of data anomalies that may occur from time to time due to system failures. This excludes data corrections due to environmental (electricity and network failures) and user-related issues as well as disaster recovery (HDD crashes etc.);
- Software assurance - Arch Software Products continually evolve through the development of new functionalities, as well as the improvement of existing functionalities. Software assurance entitles subscribers to the latest releases of the software. Arch Users may submit development requests to be considered for inclusion in Arch Software;
- Remote system upgrades.

## 4

### **SERVICES NOT COVERED BY RECURRING FEES FOR MAINTENANCE AND USER ASSISTANCE SERVICES**

Services not covered by the recurring fees under maintenance and user assistance services will be delivered based on a signed quote outlining the required service and charged on a time and material basis. The following services are not covered by the recurring fees for maintenance and user assistance:

**4.1 A call-out fee** – quoted, which includes fuel, wear and tear and technician idle time charge-out rate (50% of technician overtime charge-out rate).

**4.2 System failures** and consequent data corrections due to environmental failure.

**4.3 User Error (Excluded Error)** – Arch Users may be charged by Spinnaker for assisting on a time and material basis at Spinnaker's prevailing hourly rates, for incidents caused by the User's personnel, IT environment, or an excluded error.

**4.4 Hardware** – hardware calls and loan unit usage:

- Hardware failure due to environmental issues;
- Usage fee for loan equipment due to hardware failure due to environmental issues.

**4.5 Configuration Changes** – Changes other than those resulting from implementation and system failures.

**4.6 Data corrections** due to environmental factors (electricity and network failures).

**4.7 Disaster recovery** (HDD crashes etc.).

**4.8** Issues that arise from bad or **weak communication**.

**4.9 Unsuccessful upgrades** due to weak communication or poor client prep work.

**4.10 Requests** including:

- Other services;
- Data modification;
- Training;
- Software, hardware & system configuration changes;
- New developments;
- Arch application requests;
- Hardware implementation.

## Acknowledgement of document

Client Signature: \_\_\_\_\_

Date: \_\_\_\_\_

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