CONFIDENTIAL

BUILDING A CUSTOMER-DRIVEN APPROACH TO GIS MARKETS IN FY1993 AND FY1994

digital

Draft Business Plan

June 26, 1992

OBJECTIVES FOR THIS BUSINESS PLAN

The joint Global Information Systems (GIS) management and McKinsey team has developed a working draft business plan to focus the marketing and engineering activities of the GIS organization in tandem with the broader Digital management on the opportunities in the GIS markets. The principal objective of this business plan is to develop a working definition of GIS, its markets, strategies, and actions required to strengthen and increase its market position and profitability. Specifically, this plan is intended to:

1. Describe GIS' strategic intent to clarify its role and responsibilities within Digital and the marketplace

2. Summarize how GIS is viewing the market – where Digital is participating as well as emerging opportunities – and lay out the target market opportunities

3. Develop the integrated value delivery systems targeted at each of the market opportunities – working to guide Digital in serving these target customers' needs

4. Describe the key marketing and engineering programs GIS needs to implement across Digital to achieve its desired benchmark operating position, solidify the base VAX business while migrating to Alpha, and increase market position in growing solutions-based businesses through FY1993 and FY1994

BACKGROUND TO THE BUSINESS PLAN DEVELOPMENT

The team has undertaken extensive field interviews (of Digital customers, potential customers, existing and potential CSO partners, and competitors), Digital management interviews (across all functions, but dominated by field sales personnel), and customer/ market analysis over the past 2 months to develop this perspective

For this initial draft business plan, the fact-finding work underlying this plan has been restricted to the U.S. marketplace (with few European and GIA exceptions). In addition, it assumes that the cost reductions required for Digital to meet its benchmark operating model in GIS markets will be addressed individually by GIS and the field and marketing organizations residing external to GIS

However, the plan describes the activities, resources, and programs in the field and IBU organizations that GIS markets require (to be retained or built) while the necessary downsizing occurs in FY1993 and FY1994

ORGANIZATION OF THIS BUSINESS PLAN

Major business plan element	Contents
Executive summary	– Business and market description – Strategy statement and objectives – Market formation and opportunities – Segment growth, shares, and FY1993-FY1994 plan overview – Actions to solidify base, grow in emerging segments, and improve operating economics of Digital in GIS markets – Key organizational/dependencies – Potential risks and planned responses – Financial roll-up – Pivotal organizational roles and required management systems
GIS initiatives by opportunity	– Platform-led initiatives – Application-led initiatives – Services-led initiatives
Appendices	1. Market overview and background 2. Existing planned marketing campaigns, engineering initiatives, and cost reduction programs 3. Competitive assessments

GIS MARKET DEFINITION

GIS is responsible for developing the marketing and engineering of Digital's VAX platforms into two distinctly different businesses: (1) selling platforms to existing customer base and (2) targeting an opportunity that is solutions-based – that is, a business aimed at the production systems embedded in the core business processes of customers.

DEFINING GIS' BUSINESSES

GIS business opportunity	Description	Digital's current position
Selling Digital's platforms to existing customer base	Platform-dominated value proposition – Substantially oriented towards the technical market for the high-end VAX systems – Digital's entry-level servers are most predominantly received by commercial customers for existing applications – Platforms include hardware, networks, and layered software	Overall market growing slowly – Continued base erosion is likely as the technical market further moves to Unix – The adoption of "two-tiered" architectures (Data Center and networked servers) will likely continue to disintermediate the base here The challenge is to stabilize and rebuild Digital's declining platform market share
Targeting emerging and growing solutions-oriented business	Production systems dominated opportunities where the Digital/CSO solution is embedded in the customer's core business processes – The applications-led business will be relying heavily on key solutions the leading CSO partners can deliver – it is focused by industry – The services-led business will be dominated by the systems integrator (SI) – whether Digital or one of its partners – to influence choice of system/platform	Significant market growth, heavily commercially oriented, key value added is in the applications and services that can be combined into solutions by either Digital and/or its partners – Current CSOs are not the dominant industry players with the leading production systems – Digital's current position in most verticals is weak, with the secular shift in customer buying habits towards purchasing economic solutions, Digital must understand business issues and needs of customer The challenge is to selectively invest in focused industries where Digital can participate in this higher growth and higher-margin opportunity

As GIS moves into the coming fiscal year, the strategy will be to pursue two parallel objectives to address the specific challenges in each of these two businesses.

STRATEGIC INTENT/CHALLENGES

Maximize Digital's traditional platform-oriented business

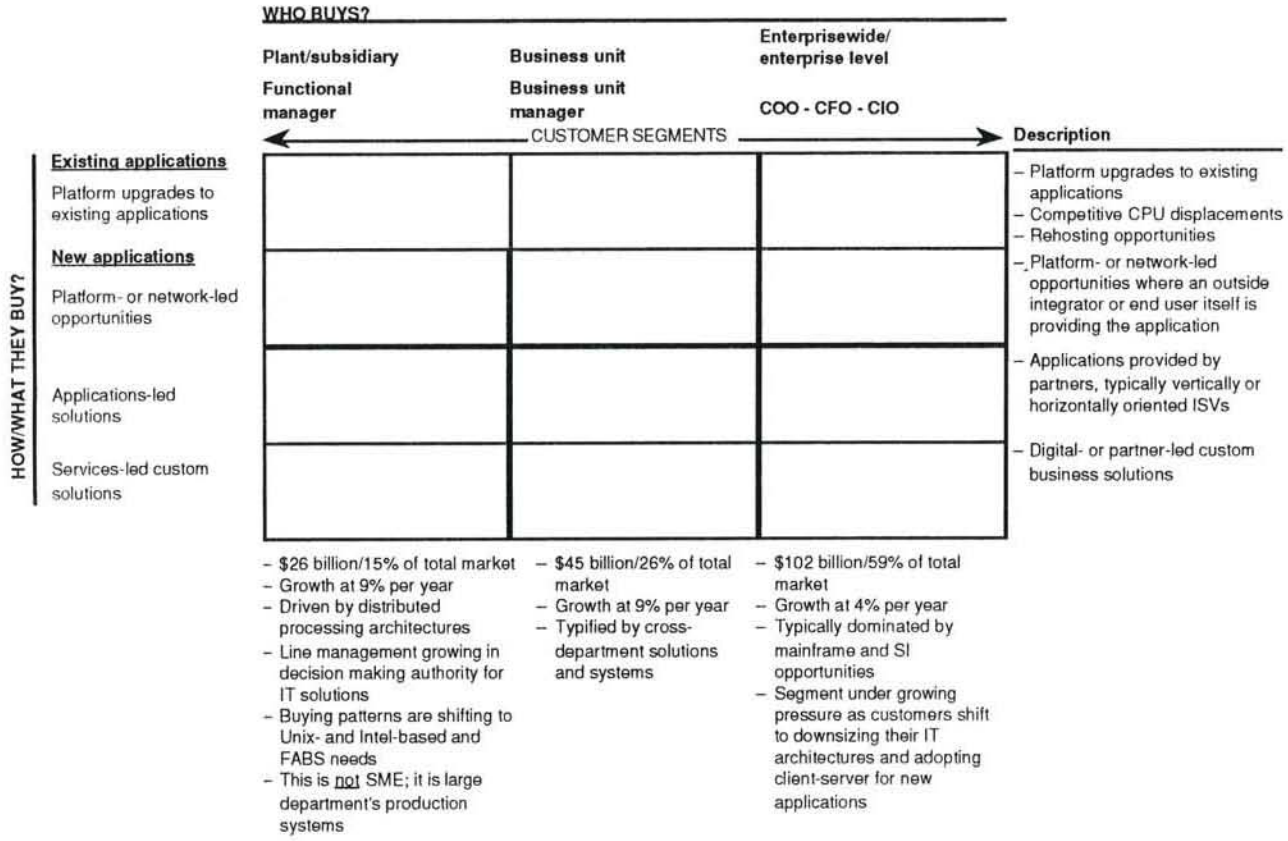
- Stabilize the technically-oriented platform business with the introduction of new VAX systems, the open advantage, and Alpha-based systems
- Protect the platform base in the existing customers and enhance it to reverse the share losses Digital has been suffering in the declining market
- Stabilize and build Digital's share, to reach profitability in FY1994 and to use the existing customer base as a source of profit to fund the transition to a more solutions-oriented business
- Substantially improve the profitability and productivity of this business, particularly at the SG&A level

Position Digital for the new solutions market

- Build greater solution selling competence in Digital by focusing the company's abilities in target key industries where there are major production systems opportunities. Often these will be industries undergoing their own business discontinuities
- Deliver expertise and production systems experience in the form of packaged application solutions and systems integration services
- Combine these actions to take advantage of the trend towards downsizing of large commercial computing applications and the key transfer to client-server applications opportunities

Historically, Digital has thought of its customers along traditional industry and geography segmentation lines. From the team's field research into the true buying pattern of Digital's customers, a more revealing and useful framework for describing the GIS market emerges if it is segmented along two dimensions: (1) the class/type of customer buying the platform or solution and (2) the buying mode/how and what these customers are buying (Appendix 1 contains more detailed market assessment material).

GIS MARKET SEGMENTATION AND OPPORTUNITIES



Note: Appendix 1 contains more detailed market assessment material

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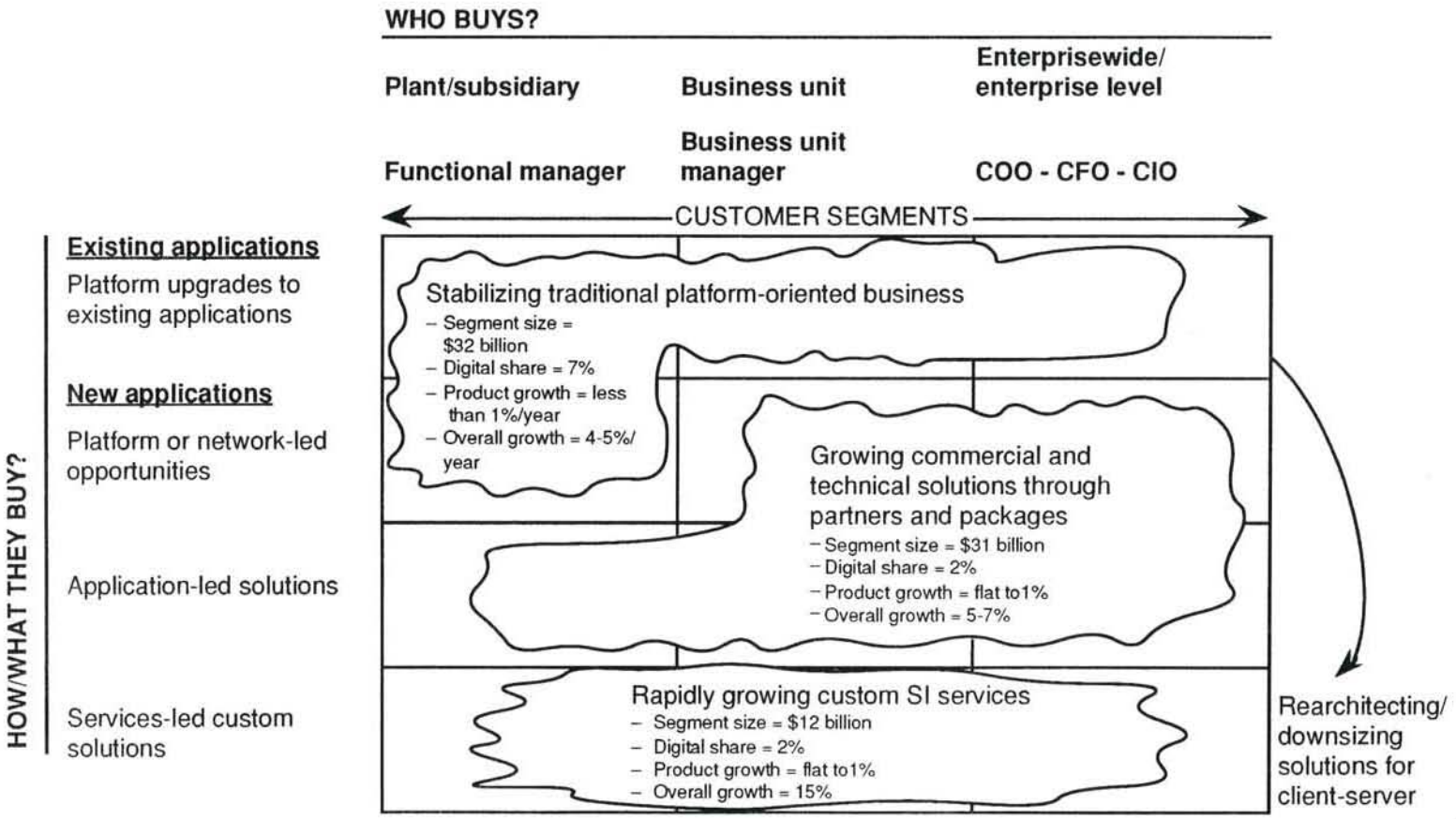
Based on this segmentation, GIS faces three distinct challenges in competing in the market: (1) stabilizing the eroding traditional base; (2) participating more effectively in the growing commercial applications-led markets; and (3) capturing more platform opportunities in the services-led opportunities.

GIS MARKET SEGMENTATION – SIZE AND GROWTH



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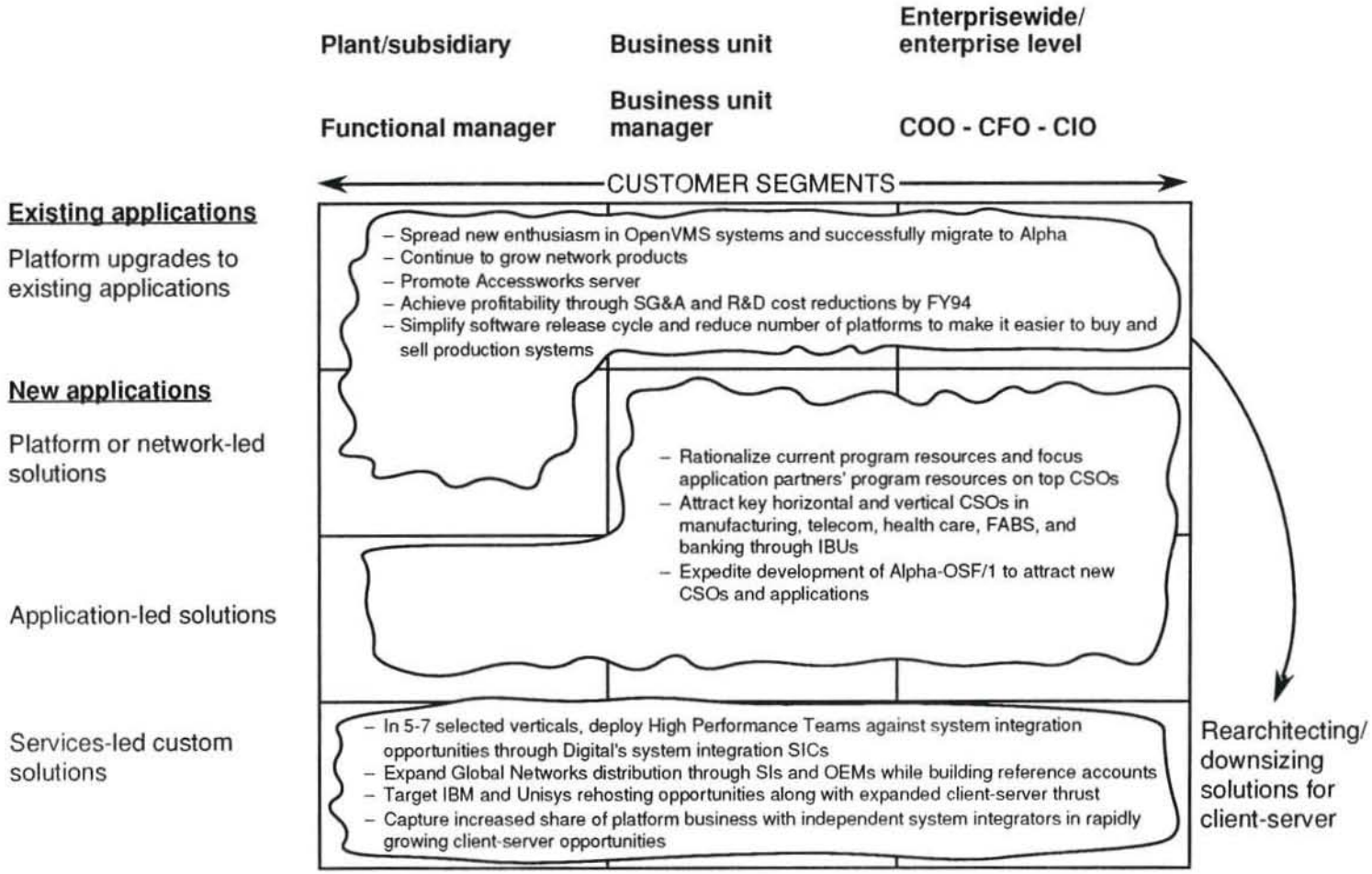
The key initiatives required to improve GIS's performance in each market segment are summarized below. The remaining body of the document and attached appendices describe each in more detail – the specific actions, timing, and responsibility/accountability for each initiative will be laid out.

SUMMARY GIS INITIATIVES BY MARKET OPPORTUNITY*



* Individual segment actions/initiatives/rationale follow in detail

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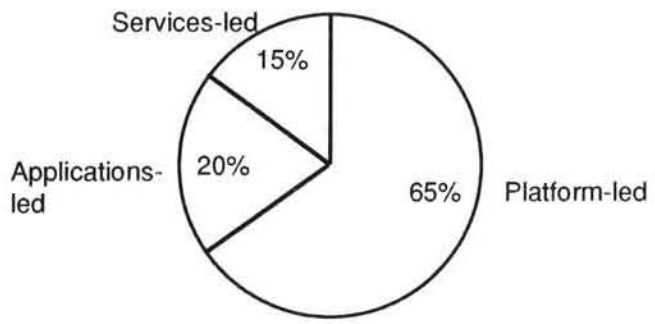
Summarized below are the GIS initiatives planned along three major dimensions, with the specific details described in Appendix 2.

SUMMARY OF PLANNED GIS INITIATIVES FOR FY1993

FOCUS OF PROGRAMS BY MARKET
FY1993 MARKETING SPENDING



Key marketing programs

- Rollout new product line through OpenVMS and Alpha ready announcements and supporting programs
- Expand support of application partners through FABS, ADSG, and ISOP
- Expand packaged, modular, and global network efforts
- IBM and Unisys rehosting/downsizing thrust

Agreed to cost reduction actions

- Achieve $74 million in direct marketing and engineering savings
- Ensure additional $150 million in indirect engineering and manufacturing savings

Planned engineering actions

- Reduce number of platforms from 5 to 2 by FY1994
- Revise software release process to once per quarter by Q2 FY1993
- Characterize leading vertical and high volume applications by Q3 FY1993

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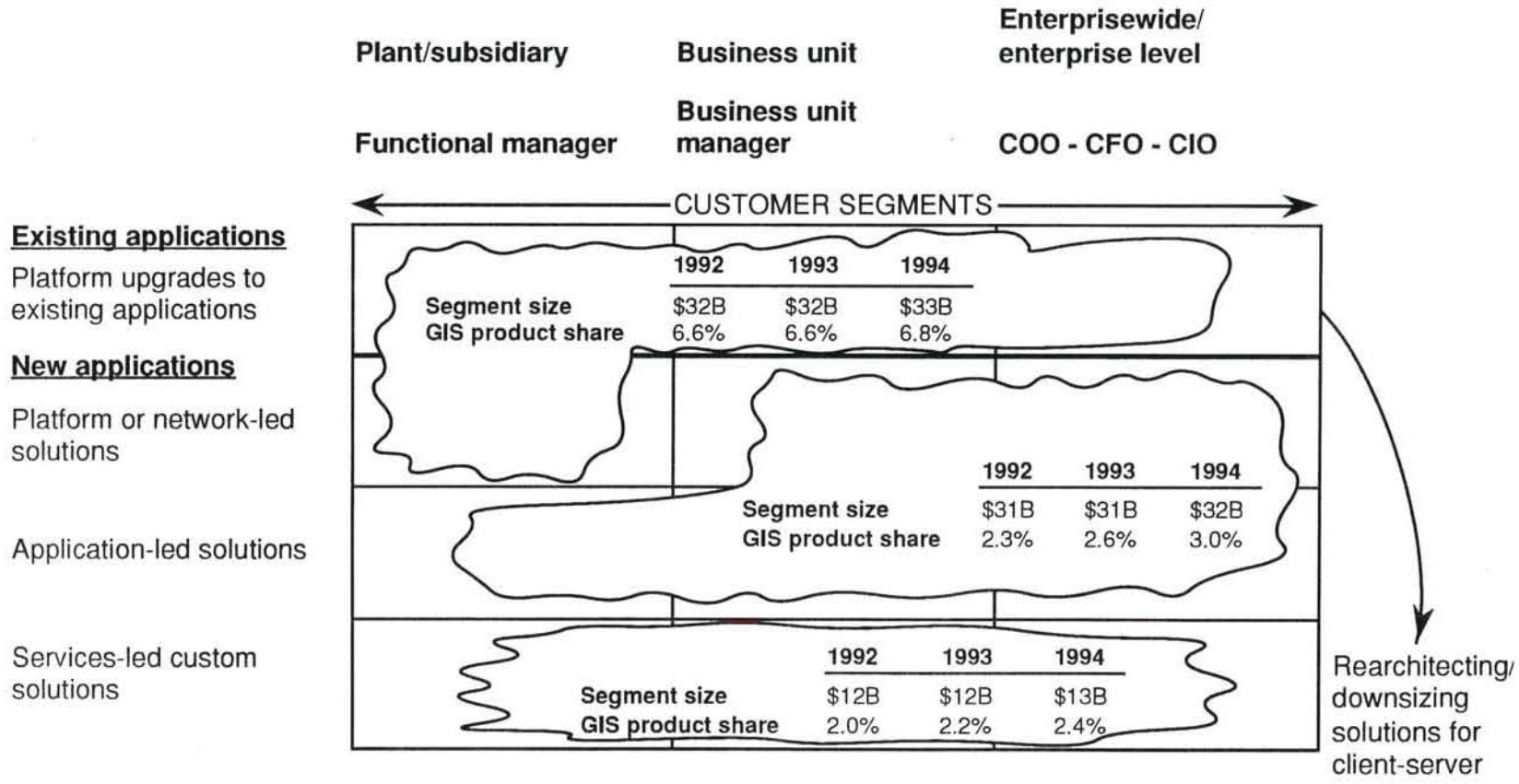
Based on the modified field plan reviewed at the June board meeting, GIS is planning on modest share growth in each of these nominally flat segments.

GIS MARKET SEGMENTS SIZE AND SHARE OF PRODUCT/PLATFORM PLACEMENTS, 1992-94
$ Billions



When GIS ties its products to these natural customer segments, the field is projecting nominal improvements in position: the majority of GIS systems business (67 percent) is in the platform-led segment; however, the opportunity for more growth and profit will be derived from the applications-led and SI-led segments.

GOALS BY PRODUCT AND MARKET OPPORTUNITIES – REVENUE AND SHARE FY1993-1994

	GIS market opportunities					
	Platform-led		Applications-led		Services-led	
Product business units $ Millions	FY1993	FY1994	FY1993	FY1994	FY1993	FY1994
High-end systems	120	140	40	60	10	20
Midrange systems	310	340	120	150	45	50
Entry-level systems	470	515	180	230	70	75
Fault-tolerant systems	85	120	30	60	5	10
Other Digital units/add-ons	1,110	1,085	430	500	130	135
Total						
Revenue $ Billions	$2.1	$2.2	$0.8	$1.0	$0.26	$0.29
Share Percent	6.6%	6.8%	2.6%	3.0%	2.2%	2.4%

Source: June board presentation

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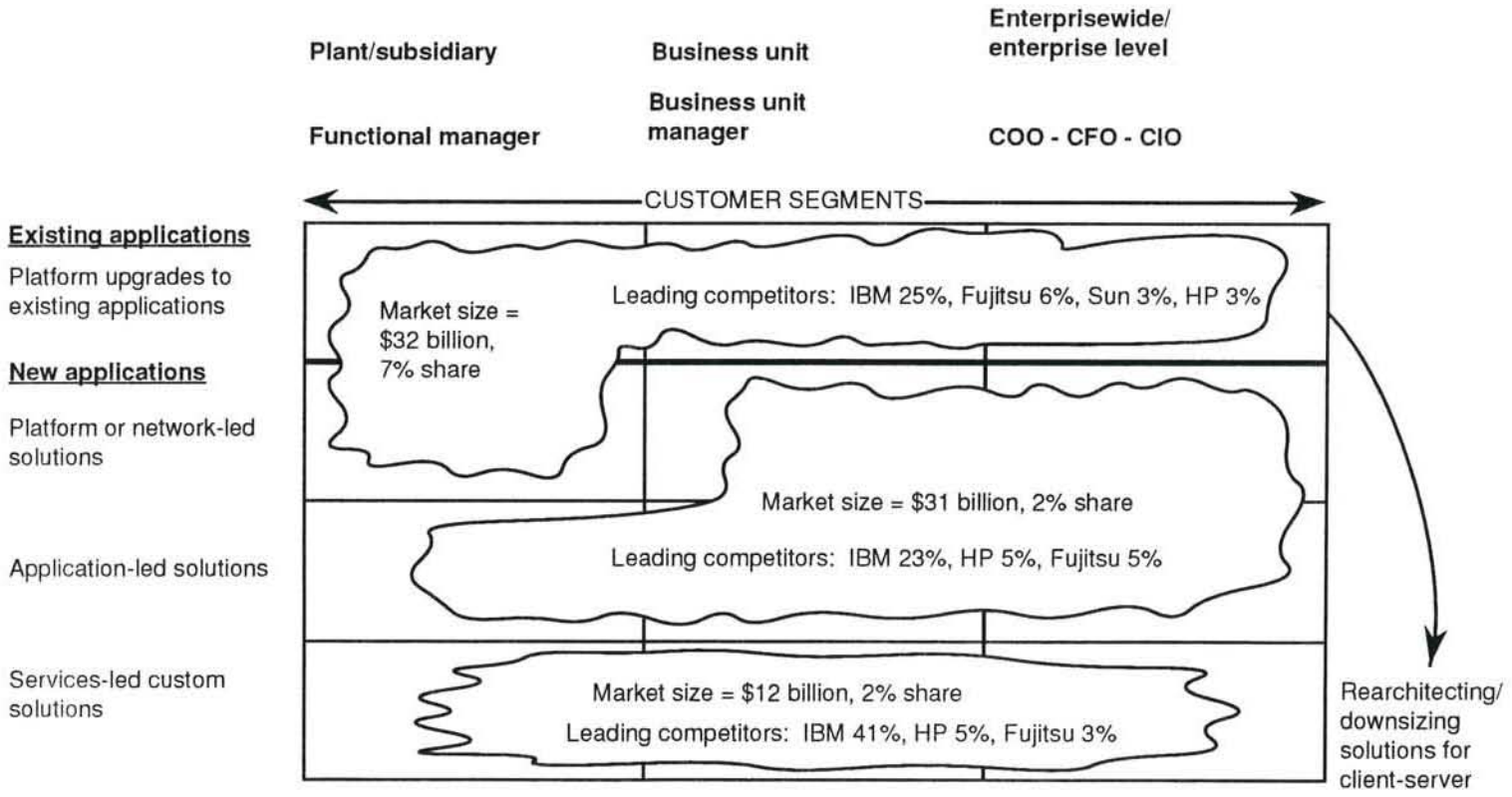
GIS faces well-established competitors in each of its market segments. Hewlett-Packard and IBM have typically been the vendors most responsible for GIS's share erosion.

COMPETITIVE SHARE BY SEGMENT
PLATFORM-BASED COMPETITORS



Note: Size and share are products only

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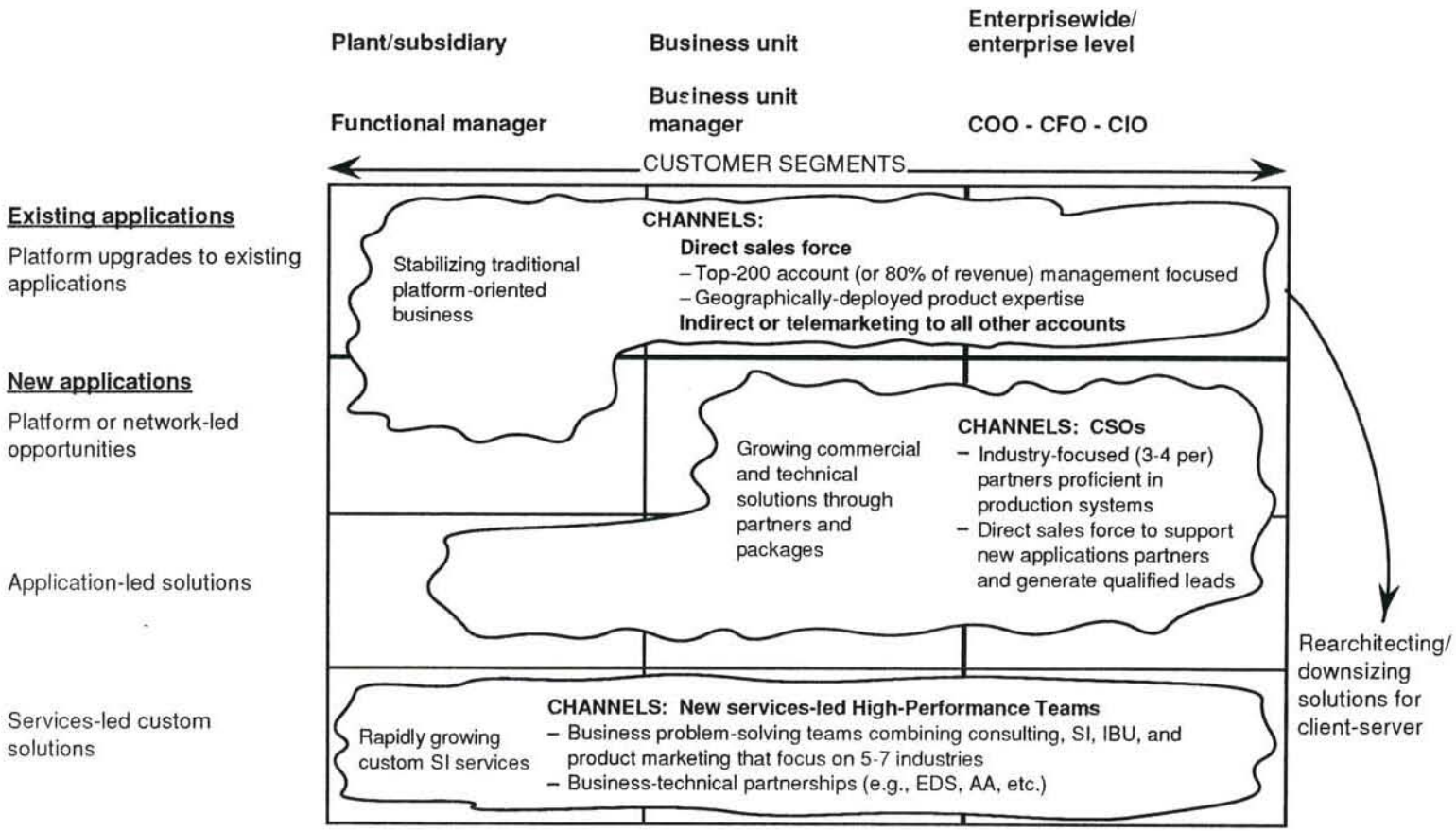
To succeed in each of the market segments, GIS should utilize four distinct channels or value delivery systems to economically and effectively serve each market segment.

FOUR CHANNELS REQUIRED FOR GIS MARKETS



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To effectively implement the GIS initiatives embodied in this plan, specific peer organizational dependencies are required. Summarized below are the key actions required from each peer group.

SUMMARY OF KEY ORGANIZATIONAL DEPENDENCIES FOR GIS PLAN

Peer organizations		
Geographies	**Services**	**IBUs**
– For U.S., provide 10 full-time OpenVMS champions, manage monthly review, train sales force, have 80 OpenVMS partners, visit top 200 accounts and top 100 CSOs twice, run OpenVMS customer tours (July-Sept.) and Alpha events (Dec.-April) – Lead with Advantage servers at new price points to compete with RISC/Unix – Provide active support of partners (75) program for networks, along with 5 network instructors, and 7 RSS specialists in CO; also establish 1 global bid support center and goal 1 sales/support team per top 50 network accounts in each geography – Double PSRC resources in U.S. and form 9 mission-critical teams to target IBM, Unisys, and other downsizing opportunities – Establish direct sales support for database, case, and Polycenter software distribution program while repositioning 3rd-party database and tools vendors for use by account teams in selling cycle – Revamp CSO partner programs (e.g., platform incentive program) and reinstitute STAR seminars – Assign/goal dedicated management responsibility for GIS sales in each region	– Integrate all existing FABS- and I/S-related consulting, service, and SI resources into focused GIS SI practice while establishing dedicated CSO applications for key 3rd parties, such as SAP, Oracle, Sybase DBS, Ross) – Goal NIS organization in field to sell NAC products, provide active support for partners program (35), create service solution packages for high-bandwidth and modular network requirements, create 5 discountable network service packages for CSOs, and identify service team representative to partner with sales/support network team – Continue FY92 customer service center focus on Unisys programs while expanding services role on emerging mission-critical teams – Jointly agree (with IBUs) on 5-7 verticals to focus and invest in (e.g., telecom, manufacturing, health care, banking, FABS) through SICs	– Actively participate in all 3 announcements, provide industry translation of sales tools and develop proof points, support applications as follows • Highest level for top 100 • Move top 2000 to Alpha • Move 25 key new downsizing applications to OpenVMS VAX and 25 key Unix applications as well – Advertise OpenVMS in verticals and 1/3 of corporate testimonials – Identify 5 qualified network sales opportunities per targeted IBU – telecom, banking, health care, etc., and dedicate 1 program driver per IBU – Help construct federal government-focused team for Unisys and IBM downsizing prospects – Establish "5x5" applications program for top 5-7 industry-specific applications and in top 5 industries – and launch coordinated client server/downsizing thrust to help improve channel productivity

Recognizing that cost reduction actions will be taken in the field organization, GIS should seek further assurances from its field colleagues to protect specific sales, sales support, and marketing resources to ensure its plan can be delivered.

GIS REQUIREMENTS FROM THE GEOGRAPHIES

Headcount by geography (U.S., Europe, GIA)

"Specialty" head count needs	Open VMS	High Performance Teams	FABS/ Polycenter/ data bases/ Cohesion	Network partners	Unisys & IBM competitive migration
Sales	–	50/TBD/TBD*	70/40/15	–	–
Sales support	80/40/20	50/TBD/TBD*	70/40/15	65/45/60	–
Marketing	20/40/20	–	8/8/2	–	8/TBD/TBD*
Base coverage for key accounts	– For top number of accounts that represent roughly 80% of revenue in each geography • Reduce direct sales force by no more than 15% • Reduce sales/support ratio by no more than 1:4 – For overall recovery • Ensure competency of sales and support for OpenVMS, Alpha, and industry areas • Establish product sales goals for all reps (x% VAX/Alpha, x% workstation/PCs, x% add-ons, x% service, etc.)* • Protect product specialties for major technologies • Increase indirect to direct channel ratio from 35% to 45%				

* All To Be Determined: levels of resources will be available by July 1, 1992

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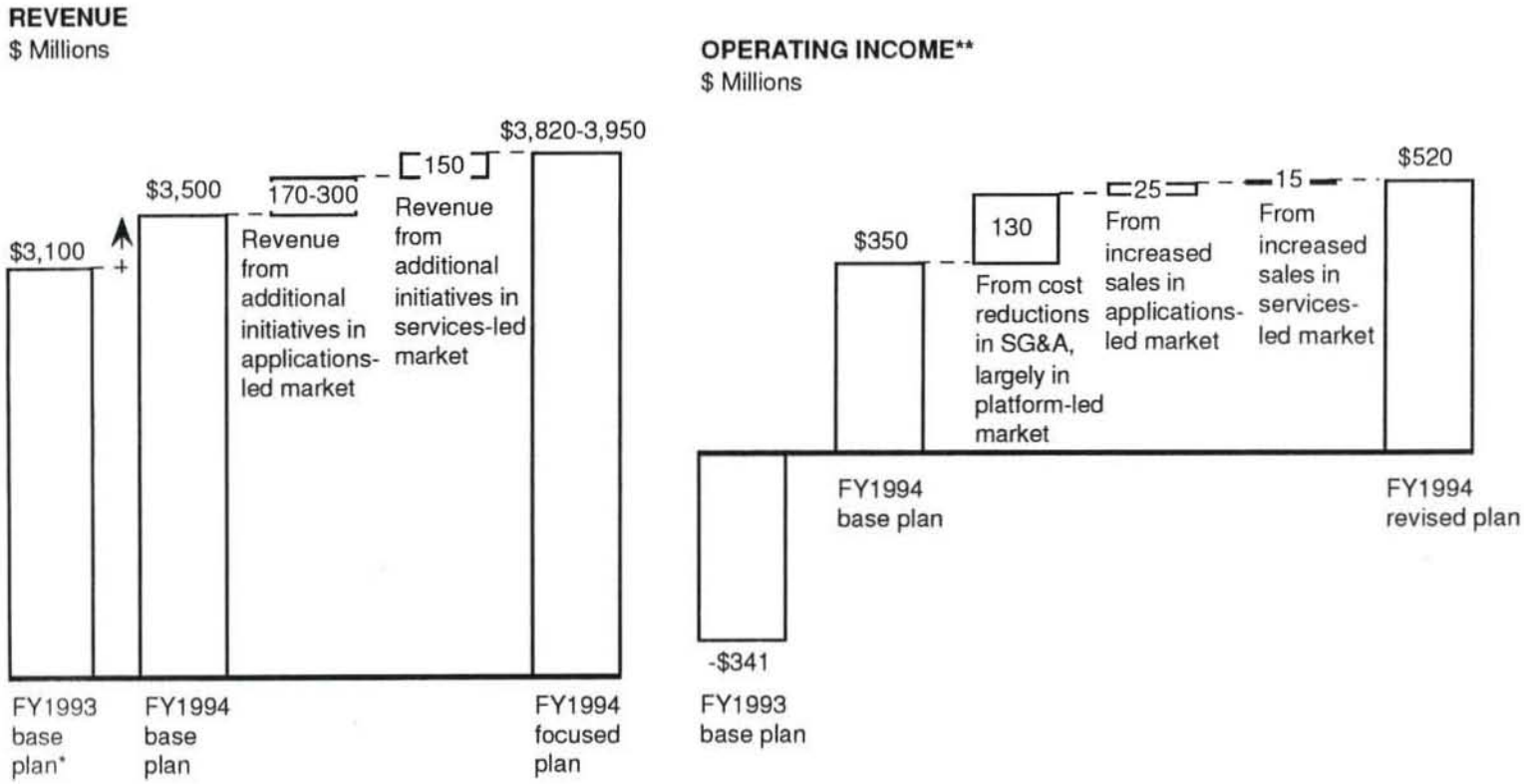
The environment for GIS's business is very risky in this critical transition period. Managing a major product transition while stepping up to the substantial cost challenges, in addition to investing selectively for growth, represents a major challenge for GIS management.

BUSINESS PLAN RISK AND RESPONSE

Risks	GIS/Digital responses
Product/market	
– Product transition form VAX to Alpha delays customers buying	– Aggressive investment protection programs – Alpha seed units and software porting – Programs in place – full readiness review in July
– Continuing pressure from RISC/Unix competitors – on revenue and margins	– Alpha workstations in mid-FY1993 to target technical market
– Traditional VAX base erosion accelerating particularly across midrange	– Roll out of open VMS with competitive price/performance to revitalize product line
– Gaining share of CSO applications partners in FY1993	– Focused effort in client-server opportunities targeted at FABS and leading industry-specific CSOs (will yield majority of results in FY1994)
Organizational risks	
– Productivity of channel lags if/when restructuring/reorganization occurs	– Realistically, little can be done to offset this risk
– Successful execution of GIS programs/initiatives across organizations	– Peer contract proposals developed, refinement/agreements required
Financial	
– Bulk of cost reductions from peer organizations	– Corporate commitments of $224 million-$74 million from GIS and $150 million agreed to by peers
– Substantial gross margin improvement needed to meet FY1994 benchmark	– Substantial manufacturing COGS improvement expected as Alpha evolves

By undertaking the additional initiatives, GIS can obtain $320 million to $450 million in additional revenue and $170 million in additional operating income through FY1994.

FINANCIAL IMPACT OF PLAN INITIATIVES



* Includes planned initiatives such as OpenVMS, FABS, global networking, etc.

** Assumes GIS meets 36% SG&A and 14% engineering cost targets

Source: Team estimates

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* * *

Given the magnitude of change required across multiple fronts and the focus necessary to ensure proper execution/follow-through of the GIS initiatives, two important steps should be taken to bolster the current organization's capabilities, by:

1. Designating and empowering accountable managers for the pivotal positions across both dimensions of the GIS responsibility matrix – both product-supplier (e.g, entry level or fault-tolerant platforms) and the market segment manager (e.g., platform-led, applications-led, services-led) dimensions of GIS's business

2. Building/bolstering the required cross-organizational linkages and management system to improve the ability to "measure and manage" the businesses.

Each of these actions is discussed in further detail.

GIS must have designated pivotal managers along two dimensions to execute these initiatives – the product and market aspects of the business.

PIVOTAL MANAGEMENT POSITIONS REQUIRED

Positions	Key responsibilities/linkages to manage
Product-supplier managers for the 3-4 platform-centric groups – High/midrange – Entry level – Fault-tolerant – Network – Software	– Developing competitive platform environments while providing technical support to the channels – Achieving competitive manufacturing and engineering costs – particularly during product transition periods – Coordinating with third-party development efforts to improve time to market and cost of engineering – Simplifying/rationalizing the current product and release processes in conjunction with systems engineering
Market segment managers – Platform-led – Applications-led – Services led	– Directing the required marketing initiatives for both Digital and CSO efforts – Developing and managing the required peer organization dependencies with the geographies, services, and IBUs – Achieving the required competitive SG&A costs along with the appropriate channel mix requirement – Guiding the required strategic/market planning efforts

To support the management team, management systems are required along 3 dimensions, as described below. Currently these systems either do not exist or have significant short comings and therefore represent a top priority for senior management early in the new fiscal year.

REQUIRED MANAGEMENT SYSTEMS

Systems area	Required changes
Revenue, cost, and market management	– Developing an integrated pipeline reporting and lead tracking system for production systems – to be shared among GIS, the IBUs, and the field – Establishing a CSO performance measurement system to track progress against share/revenue goals – Building a product/service goal system that is linked to account plans – Establishing a meaningful reporting of GIS P&L that clearly defines economic performance without double-counting
Planning/forecasting	– Developing a single and integrated forecasting and planning system with the geographies and product managers
Incentive	– Enabling changes in the current CSO and sales force incentive systems to focus on longer lead time selling – Support the addition of targeted incentives for platform placements by CSOs – Building a portion of the GIS management incentive around team/Digital goals

PLATFORM-LED MARKET INITIATIVES

The platform-led market accounts for the majority of GIS revenue and is critical to overall GIS profitability and growth. Several initiatives have been identified to defend the GIS position in this market and restore profitability.

- ¶ The platform-led market represents two-thirds of GIS revenue and is an important source of profitability to fund growth opportunities in other markets.
  - The worldwide platform-led market is $32 billion and accounts for $2.1 billion of GIS revenue.
  - The overall platform-led market is growing at 5 percent, but product-related revenue growth is flat.

- ¶ Competing successfully in platform-led sales requires leading-edge price/performance, open systems, focused marketing, and lower-cost distribution. GIS has significant gaps in its value delivery system and cost structure which limit its ability to compete.
  - Digital is facing competitive pressure from "hot-box" companies, Unix workstations and servers, and Intel-based client-server architectures.
  - GIS has significant but temporary product gaps which should/will be filled by Alpha, OSF-1 and OpenVMS.
  - GIS's SG&A and R&D costs are high compared to those of successful platform-led competitors.

- ¶ To close these gaps and improve performance in the platform-led market, GIS should pursue a number of revenue generation and cost reduction initiatives.
  - GIS has already launched a variety of product-oriented marketing programs to build revenue in this market.
  - Increased reliance on indirect distribution to smaller accounts and rationalization of marketing efforts throughout Digital should help bring SG&A costs and, therefore, channel productivity in line with competitive benchmarks.
  - Although current high levels of R&D spending reflect major, new-product development with Alpha and OSF-1, efforts should be made to keep future R&D costs down to competitive levels.
  - Modest revenue growth and a competitive cost structure would create a $330 million operating profit in the platform-led market by FY1994 versus the current projected $200 million.

Overview of Platform-led Market

MARKET DEFINITION

The platform-led GIS opportunity is defined as platform sales to existing applications mostly within Digital's installed base. This includes CPU power upgrades, downsizing, and competitive migrations when the application is portable to Digital hardware. Two-thirds of GIS revenue is accounted for in this market

STATEMENT OF STRATEGIC INTENT

To defend Digital's installed base of VAX customers by providing platforms and support to existing applications while migrating to Alpha. As this segment is primarily focused on the installed base, it is critical to GIS as a source of profitability but not likely to yield significant revenue growth

STATEMENT OF STRATEGIC OBJECTIVES

To return this business to profitability and generate maximum cash flow to fund growth in applications- and solutions-led opportunities. In order to fulfill this strategy, several objectives must be met

- Reverse share erosion with new product launch through OpenVMS and Alpha ready platforms – both in technical and commercial markets
- Reduce SG&A from 53% to 30% by FY 1994
- Substantially improve revenue productivity of the channel while protecting the top accounts that generate 80% of the revenue in each geography
- Improve profitability from -$0.4 billion in 1992 to $0.3 billion in 1994

The platform-led opportunity is a $32 billion market of which Digital has a 7% share. Historically, the position had been stronger, but substantial erosion in the shrinking, technical markets has weakened it.

PLANNING ASSUMPTIONS

Area	Planning assumptions
Market	– Total FY92 market of $32 billion (40% of the market available to GIS) – Hardware spending accounts for $21 billion which is split one-third technical and two-thirds commercial – Market expected to grow at 5%/year – GIS revenue is $2.1 billion which represents two-thirds of GIS revenue
Competitive situation	– Digital's installed base is currently facing competitive pressure from a number of sources • "Hot box" providers (e.g., Sun) who continue to set new price/performance standards • Unix workstations in the technical market • IBM's AS/400 in the commercial midrange market • Client-server architectures supported by Intel-based operating systems (DOS, OS/2, Windows) or by Unix – Platform-led market shares • IBM 25% • Digital 7% • Fujitsu 6% • Hitachi 4% • Sun 3% • Unisys 3% • HP 3% – Competitors increasingly using indirect channels • HP has announced telemarketing for minicomputers • IBM, Wang, and Cray are seeking partnerships to reduce direct selling costs
Products	– Full line of VAX high-end, midrange, and entry systems running VMS and Ultrix – MIPS workstations supporting Ultrix and OSF-1 – Alpha available in FY1993

Platform-led Value Delivery System Opportunities

To compete successfully as a platform provider into this segment, Digital must deliver platforms and layered software through the most cost-effective channel supported by a focused marketing effort.

PLATFORM-LED VALUE DELIVERY SYSTEM

	Platform price/ performance	**Layered software**	**Marketing programs**	**Channel strategy**	**Service/support**
Require-ments for success	– Unix platforms • Competitive Unix with full suite of commercial tools for OLTP • Competitive price/performance • Competitive interoperability – Other platforms • Increasing performance at acceptable price • Upgrade migration pathway	– Operating system and networking as base capabilities – Leading horizontal applications (e.g., RDBMS) ported to open and proprietary OS	– Promote openness of proprietary platforms – Stress price/ performance – Target vulnerable competitors – Target key trends • Rehosting • Reengineering • Client-server • Open systems	– Use indirect methods (e.g., telemarketing) to cut costs – Simplify channels, eliminate redundancy – Focus direct sales effort or large opportunities, or where complexity is an issue	– Offer price-competitive hardware/software maintenance – Bring in platform integration skills where needed to close sale – Identify upgrade opportunities for sales

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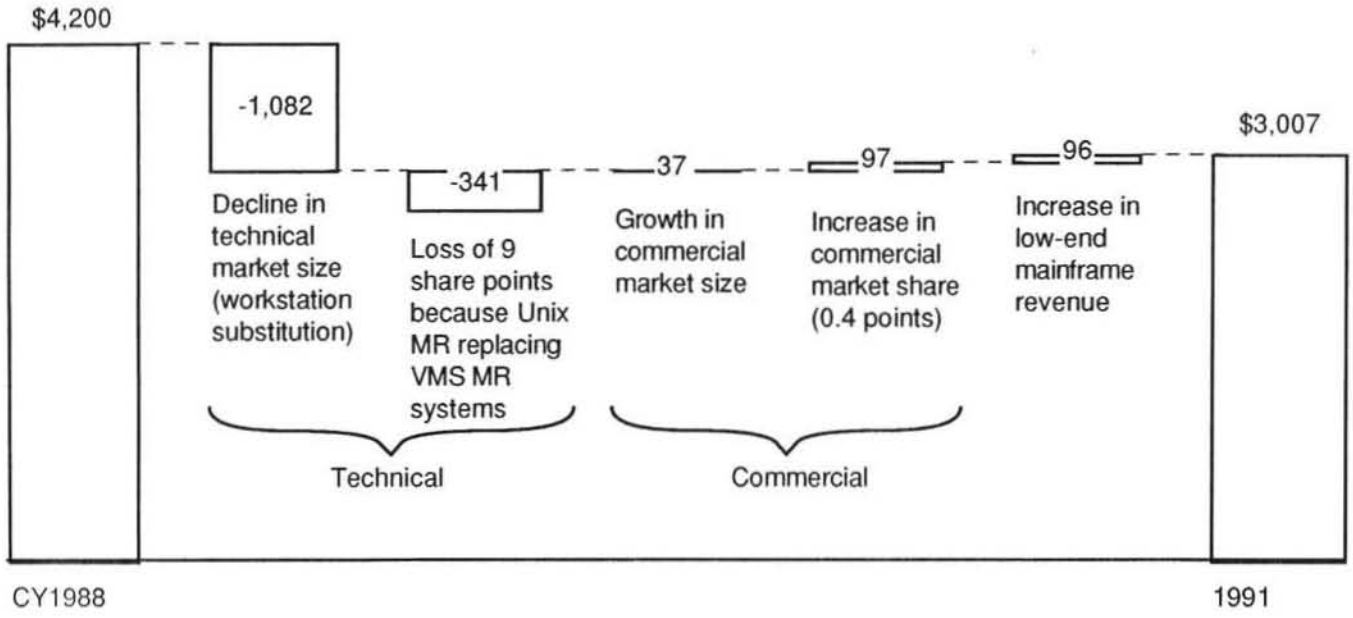
Digital's installed base is eroding as "hot box" workstations replace midrange systems in the technical market and as Unix gains popularity. Over the past 3 years, this has resulted in revenue loss for Digital of approximately $1 billion – mostly in the technical market.

EXPLANATION OF DIGITAL REVENUE CHANGES
MIDRANGE AND LOW-END MAINFRAME MARKET
$ Millions

PRELIMINARY



Source: Internal data; Data Quest; team analysis

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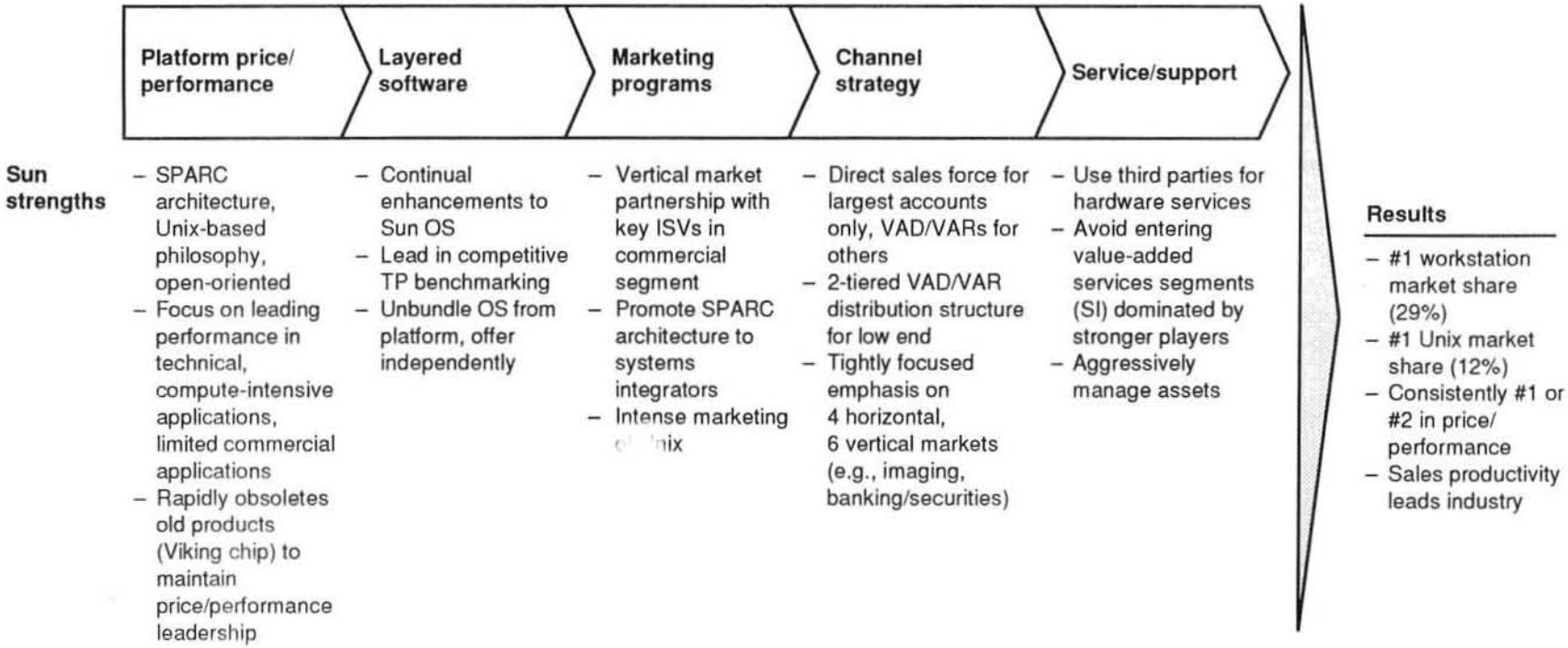
Sun serves as a model of a successful platform-driven company. Sun is number one in workstation and Unix markets, consistently number one or two in price/performance, and leads the industry in sales productivity – having built outstanding partnering and channel support programs.

SUN MICROSYSTEMS VALUE DELIVERY SYSTEM



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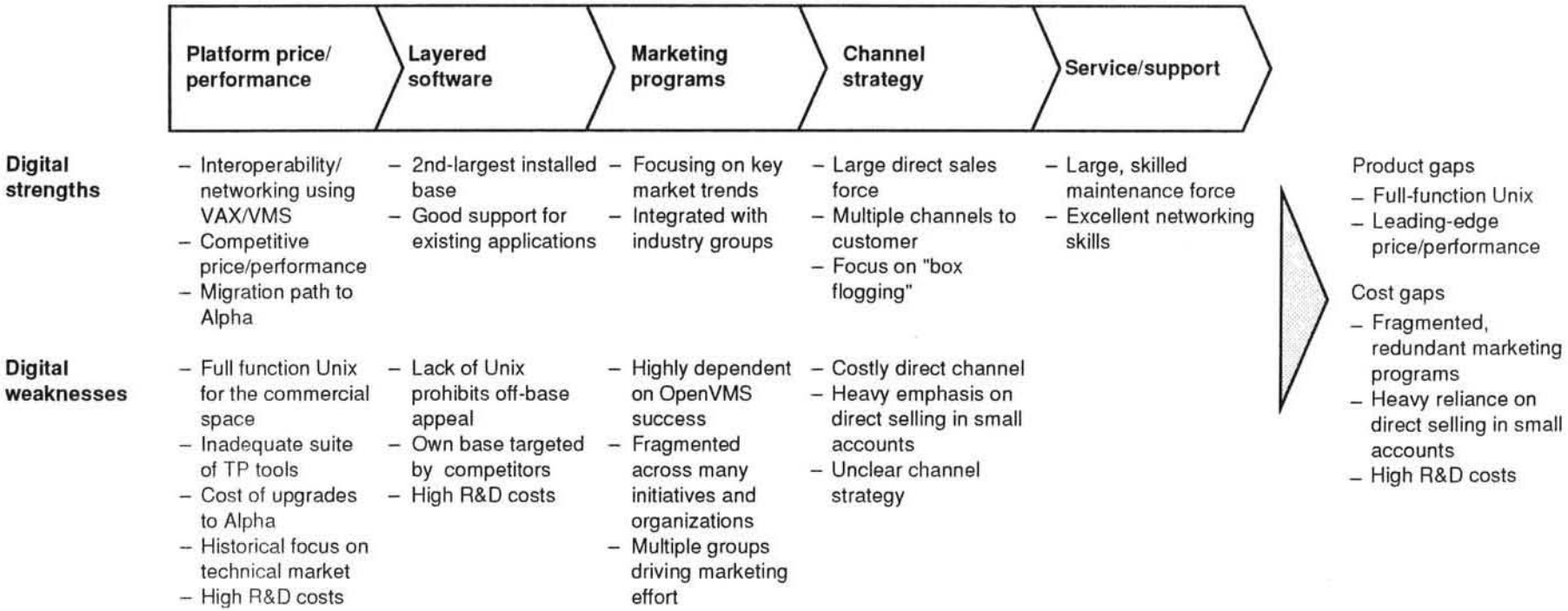
Product Gaps. Digital has significant gaps in its value delivery systems for platform-led sales. Many of the product gaps should be addressed by the new OpenVMS product line and OSF-1 on Alpha. The cost gaps between Digital's current value delivery system and one which returns Digital to profitability will require further measures to close.

DIGITAL GAPS IN PLATFORM-LED SALES



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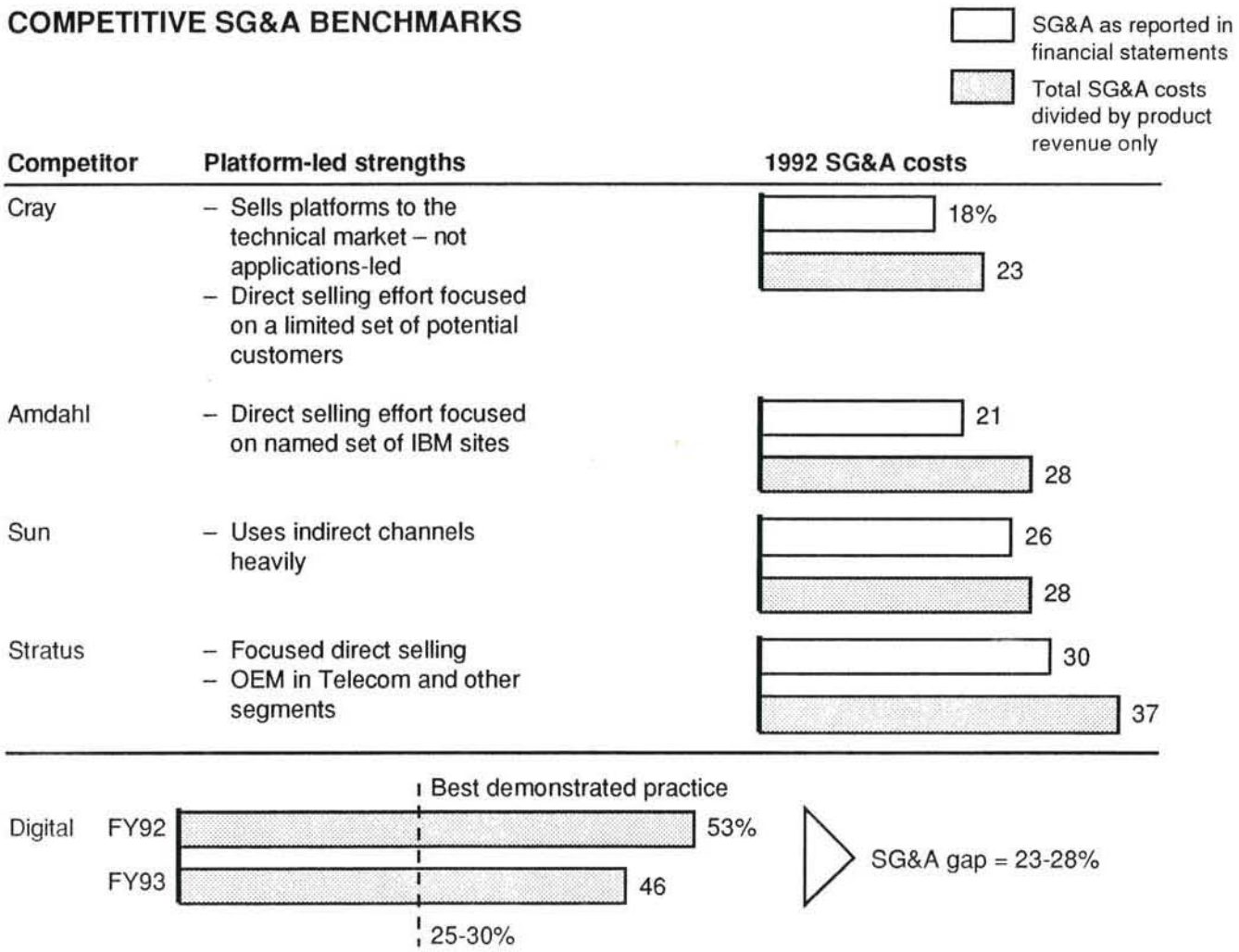
Cost Gaps. Compared to successful platform-led competitors, GIS's SG&A costs are very high: 53 percent for GIS compared to 25 to 30 percent for competitors. These competitors are successful in focusing their direct selling efforts on large customers and using indirect channels for smaller accounts.

COMPETITIVE SG&A BENCHMARKS



Source: Gartner Group; Yardstick Report

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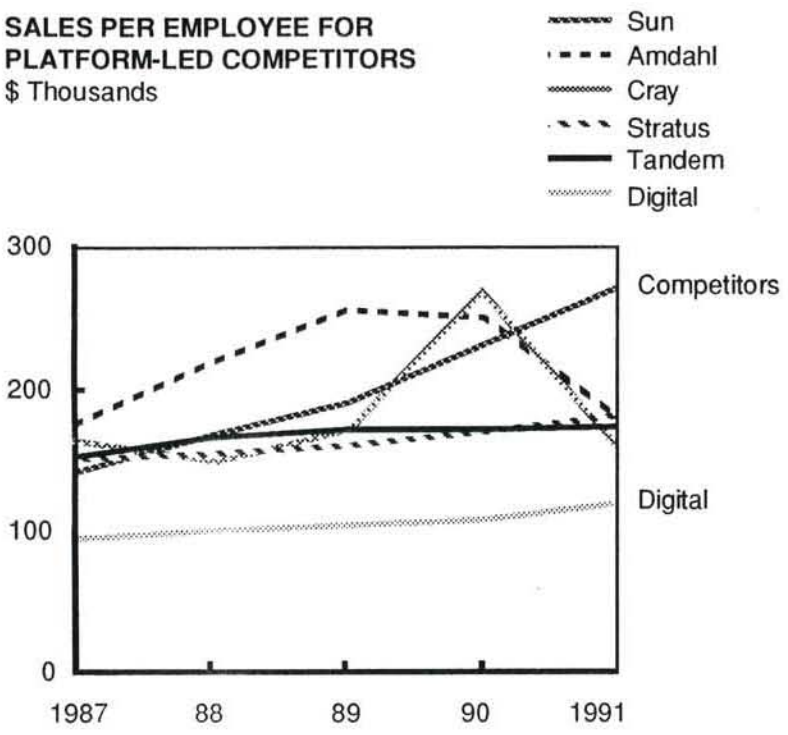
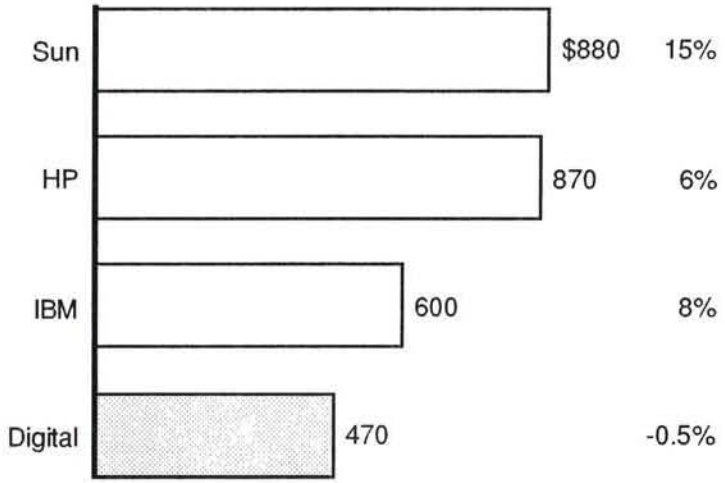
Digital's uncompetitive cost structure is reflected in sales performance benchmarks. Digital's sales productivity, both in absolute and relative dimensions, is the lowest of major platform-led competitors.

SALES PRODUCTIVITY

SALES PER EMPLOYEE FOR PLATFORM-LED COMPETITORS
$ Thousands



REVENUE PER SALES AND MARKETING EMPLOYEE
$ Thousands



ESTIMATE

1987-1991 annual productivity improvement

15%
6%
8%
-0.5%

Source: Annual reports; team analysis

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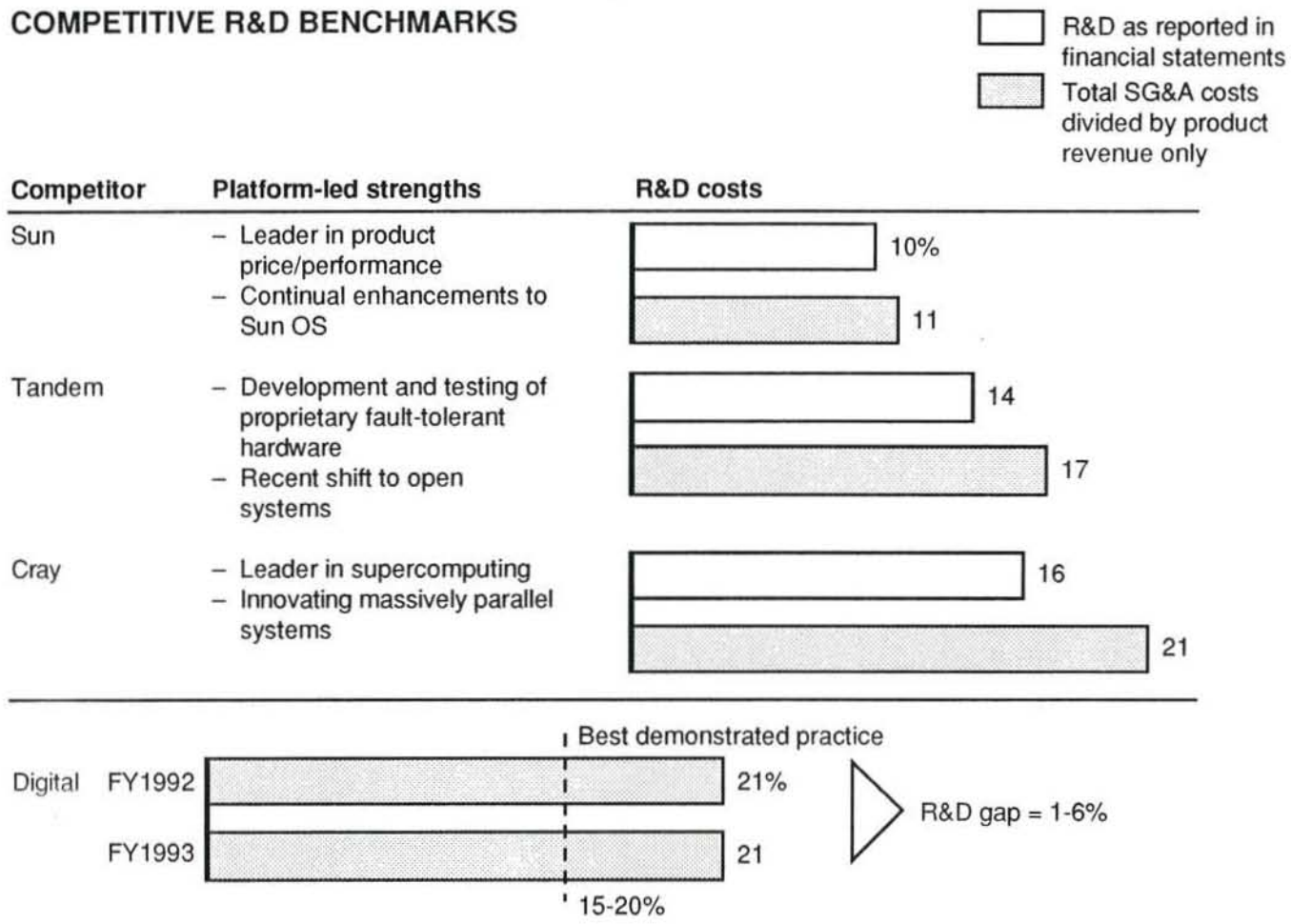
GIS's R&D costs are slightly higher than leading platform-led competitors'. Some of this gap may reflect the current level of spending on Alpha.

COMPETITIVE R&D BENCHMARKS



Source: Gartner Group; Yardstick Report

Initiatives to Build a More Successful Platform Value Delivery System

To defend the installed base and improve profitability, Digital should pursue both revenue generating programs and cost-reduction efforts.

REVENUE GENERATING PROGRAMS

OpenVMS, Alpha ready: revitalize the VAX line by communicating improved functionality, price/performance, openness, and Alpha readiness

Accessworks: boost marketing effort for integrated Accessworks servers

Global networks: target high-potential customers and sell packaged modular networks and global networks

Protect FABS installed base: use Market Leaders Program, CPR program, Premier Partners Program, and products/applications marketing to defend the FABS installed base

COST REDUCTION EFFORTS

Focus direct selling on large accounts and increase usage of indirect channels for small accounts

Reduce other field-related costs by rationalizing field infrastructure

Consolidate and rationalize production systems marketing programs

Reduce R&D spending through increased reliance on licensing technologies available in the market

Justify future investments in VAX, VMS on a cost-benefit basis for the installed base

Revenue Generation. GIS has already targeted $44 million in marketing initiatives to platform-led sales. These programs will help defend the installed base and maintain the $2.1 billion in platform-led revenue.

GIS REVENUE GENERATING PROGRAMS

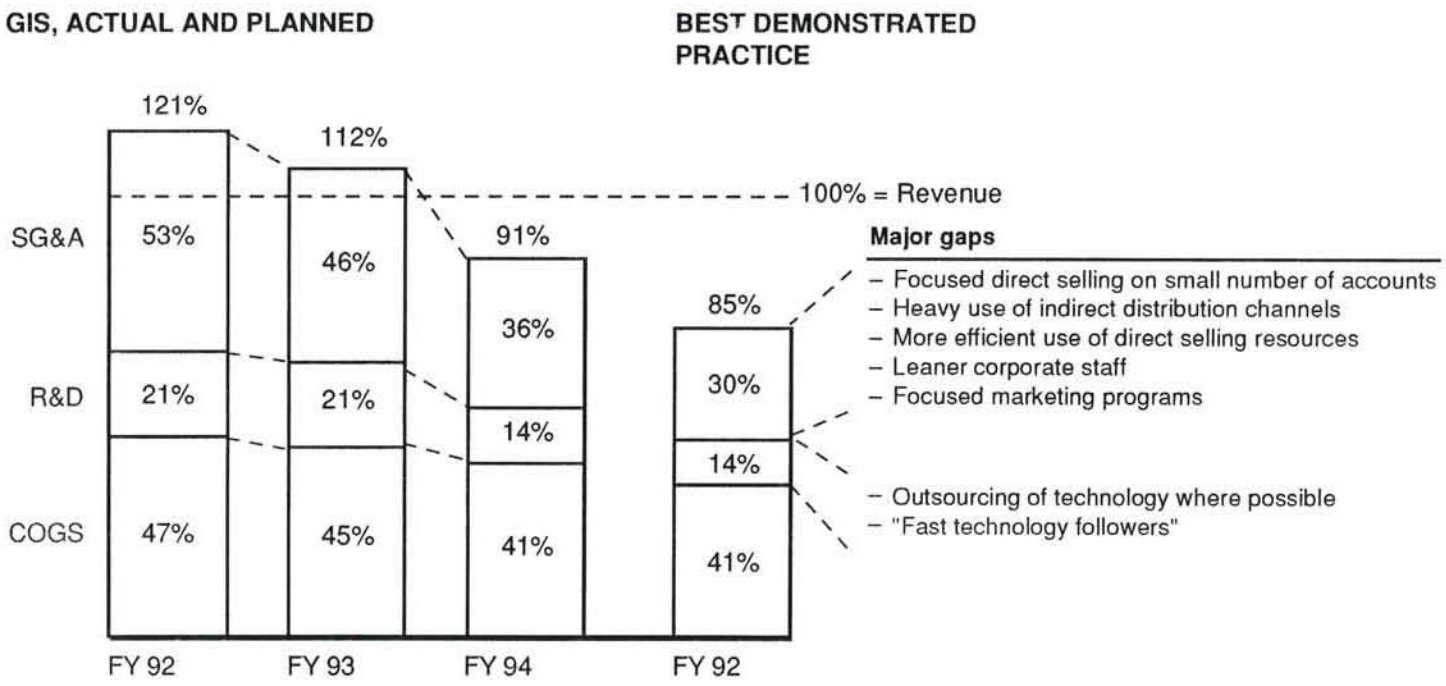
Program	FY1993 spending $ Millions	Description
OpenVMS Alpha ready Accessworks	$30	– Build enthusiasm for VAX by stressing functionality, price/performance, openness, and Alpha readiness – Emphasizes integrated Accessworks servers
Global networks	8	– Target high-potential customers and sell packaged modular networks and global networks
Protect FABS installed base	6	– Migrate SAP, Oracle, DBS, Ross to Alpha; stimulate VAX/VMS and Ultrix sales
	$44	

Source: Company data

Cost Reduction. GIS is anticipating a reduction in its SG&A from 53 percent to 36 percent by 1994. Even at this reduced level, average GIS SG&A will be 6 percentage points higher than best demonstrated practices in platform-led selling. By 1994 R&D costs are projected to be at competitive levels.

COSTS
Percent of sales

ESTIMATE



Source: Company data; team analysis

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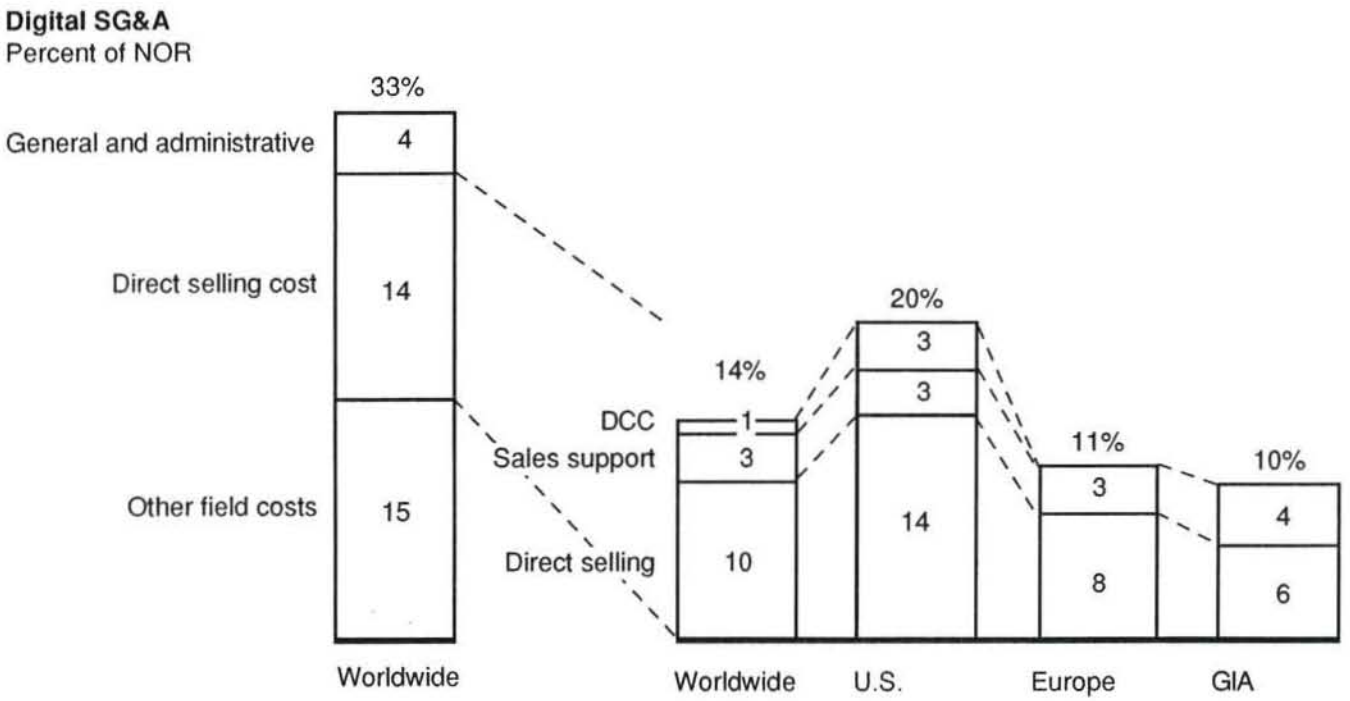
Digital's selling cost is particularly high in the United States. Europe may have already implemented a more effective and efficient selling model.

DIGITAL DIRECT SELLING COSTS

Percent of NOR (including product and service revenues)



Note: Does not include Other Field Costs which total 15% of sales worldwide

Source: IBU financial performance report

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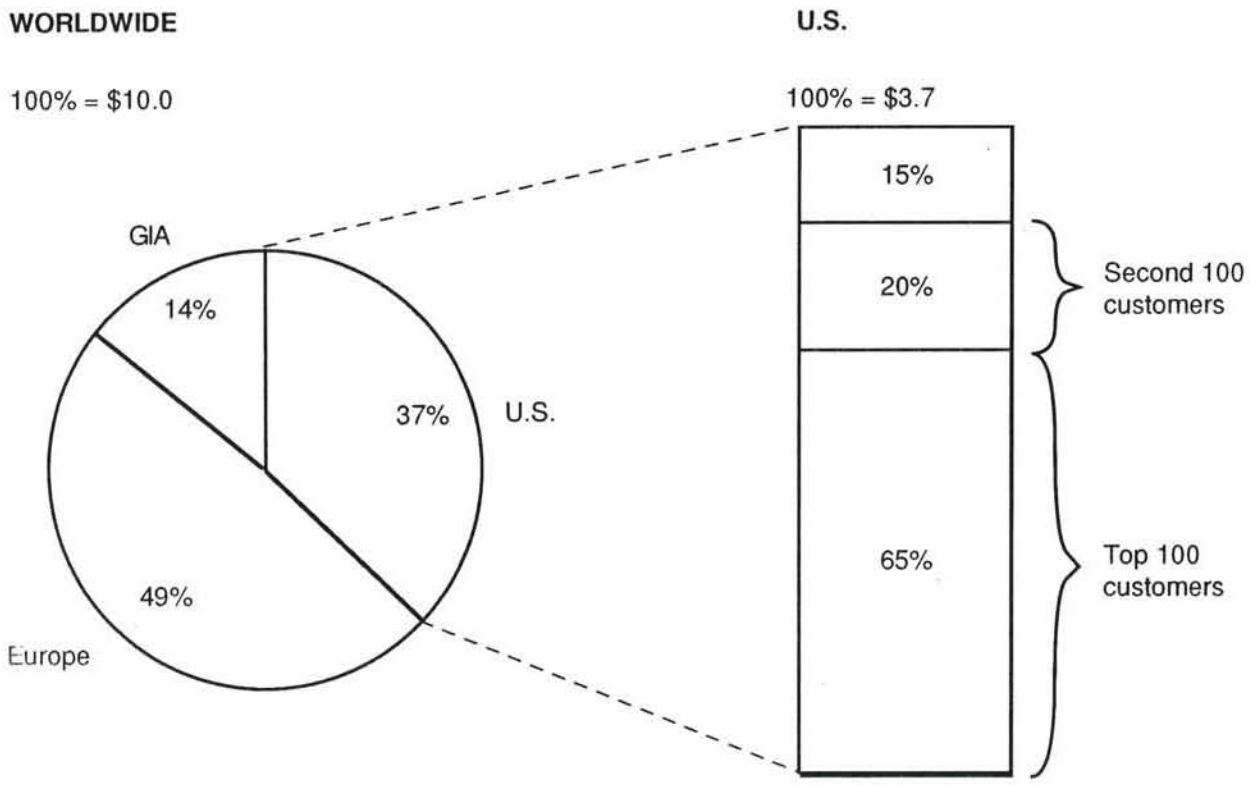
The concentration of revenue in a limited number of large accounts suggests that a selling effort focused on a few hundred top-named accounts may be more efficient.

CONCENTRATION OF REVENUE IN TOP 200 U.S. ACCOUNTS – 3Q YTD 1992
$ Billions



Source: IBU financial performance; US CIC customer reporting

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GIS is dependent on the field to deliver certain minimum resources for both base coverage of key accounts and special programs. These resources must be protected despite the need to achieve a sustainable cost structure.

GIS REQUIREMENTS FROM THE GEOGRAPHIES

Headcount by geography (U.S., Europe, GIA)

"Specialty" head count needs	Open VMS	High Performance Teams	FABS/ Polycenter/ data bases/ Cohesion	Network partners	Unisys & IBM competitive migration
Sales	–	50/TBD/TBD*	70/40/15	–	–
Sales support	80/40/20	50/TBD/TBD*	70/40/15	65/45/60	–
Marketing	20/40/20	–	8/8/2	–	8/TBD/TBD*
Base coverage for key accounts	– For top number of accounts that represent roughly 80% of revenue in each geography • Reduce direct sales force by no more than 15% • Reduce sales/support ratio by no more than 1:4 – For overall recovery • Ensure competency of sales and support for OpenVMS, Alpha, and industry areas • Establish product sales goals for all reps (x% VAX/Alpha, x% workstation/PCs, x% add-ons, x% service, etc.)* • Protect product specialties for major technologies • Increase indirect to direct channel ratio from 35% to 45%				

* All To Be Determined: levels of resources will be available by July 1, 1992

B03 0251/E

Significant reductions in SG&A will result from the utilization of indirect channels for low-priority accounts, the rationalization of field infrastructure, and the consolidation of redundant marketing programs.

AREAS FOR FURTHER COST REDUCTION AND PRODUCTIVITY IMPROVEMENT – SG&A

Areas	Rationale	Implication/dependencies
Focus direct selling on top accounts, rely more on indirect channels – Focus direct selling efforts on top number of accounts which represent roughly 80% of total sales – Assign next tier of accounts to VADs and VARs under regional sales management with very little direct sales, but some support involvement – Assign bottom tier of accounts to telemarketing and catalogue driven sales efforts – Reduce other field costs by rationalizing field infrastructure and increasing span of control	– SG&A costs are nearly twice those of leading platform-led competitors – Selling costs are especially high in the US. – direct selling, sales support, and DCC costs are nearly double in the U.S. compared to Europe and GIA – Sales per employee for Digital are half that of leading platform-led competitors – Alternate, indirect channels provide more cost-effective distribution – Successful competitors are increasingly relying on indirect channels (over 50% of Sun's sales are through indirect channels)	– Significant reduction in field head count – Increased reliance on indirect channel partners – Added capability in telemarketing (will take time to implement, but we should start now)
Rationalize and eliminate redundant marketing efforts – Identify production systems marketing efforts across entire Digital organization – Consolidate and prioritize programs	– Digital's matrix organization creates multiple marketing departments focused on similar products and customer groups, for example, network marketing occurs within NaC, LENaC, PCI, TNSG, and NIS – Sales reps report that they are inundated with vast numbers of disconnected marketing programs. These multiple efforts create much confusion in the field – Digital's sales per sales and marketing employee is nearly half that of leading competitors (i.e., Sun)	– Marketing efforts must be focused on limited set of priorities – Coordination across business units required – Reduction in marketing head count, stage on increased program expenditures

In addition to cutting SG&A expenses, limited opportunity may exist to reduce R&D expense in platform-led business to competitive levels.

AREAS FOR FURTHER COST REDUCTION AND PRODUCTIVITY IMPROVEMENT – R&D

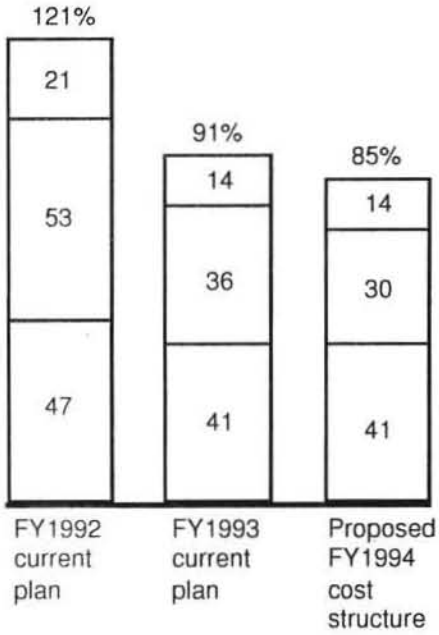
Areas	Rationale	Implication/dependencies
Reduce R&D costs by partnering and licensing technologies from others	– GIS R&D costs are 21% of sales compared to 10-15% for leading competitors – Digital's engineering is predisposed towards developing technologies in-house even when suitable technologies exist in the market (e.g., layered software)	– Increased reliance on outsourced technology – In some cases a "fast follower" strategy may be more cost-effective than pioneering new technologies – Cooperation of non-GIS engineering groups required
Limit investments in VAX architecture and VMS to those which can be justified on a cost-benefit basis to the installed base	– Customer interviews reveal that with the announcement of Alpha and OSF-1, the potential to sell VAX/VMS outside the installed base may be limited	– Limited future investments in VAX, VMS with resources devoted to rushing good enough commercial versions of Alpha and OSF-1 to market

Financial Impact

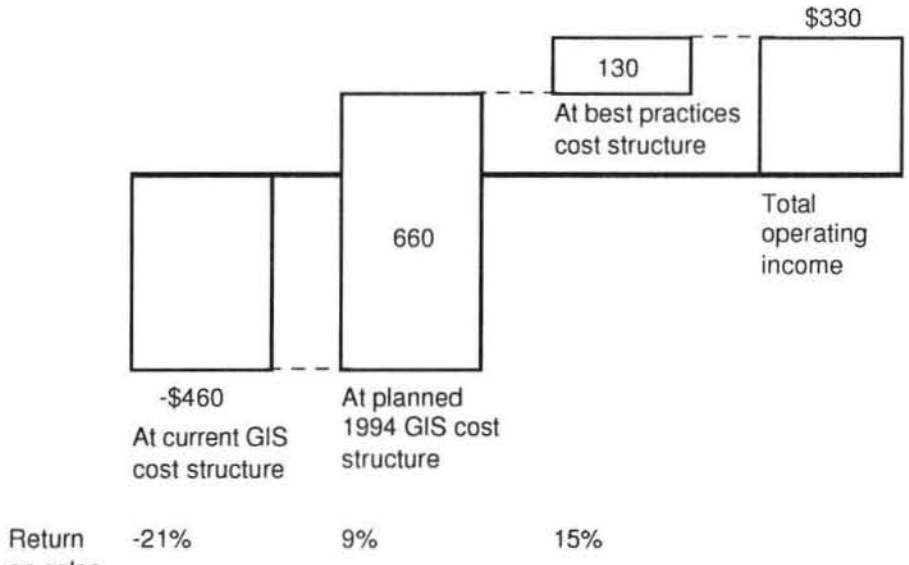
The planned GIS restructuring would restore Segment 1 to profitability by 1994, but would not achieve maximum profitability. Further restructuring to bring the cost structure in line with best demonstrated practices would contribute an additional $130 million in operating profit.

IMPACT ON FY1994 FINANCIAL PERFORMANCE

GIS COST STRUCTURE – 1992,1994



FY1994 OPERATING INCOME GIS MARKET VIEW
$ Millions



Note: Assumes total GIS FY1994 revenue of $3.4 billion and platform-led revenue of $2.2 billion

Source: Company data; team analysis

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APPLICATION-LED INITIATIVES

The applications-led market is a critical component of GIS's production systems business. The team's analysis of GIS's position in this area and recommended initiatives to improve its position are as follows.

- ¶ The applications-led solution opportunity is a large and dynamic market, although GIS's position is eroding – both with the end user and CSO channel partners segments.
  - Platform sales with the segment are $32 billion per year, growing at 1% annually.
  - Buyers and channel partners are shifting to open systems, in many cases Unix.
  - A small number of CSOs dominate most vertical segments. Building partnership with these CSOs and expanding market share within the relationship is a critical success factor in this segment.
  - Channel revenues are highly concentrated among Top 50 CSOs and are shrinking dramatically despite unit shipment growth in some segments as price points fall.
  - Channel support programs are weaker than competitors' (e.g., HP and IBM).
  - GIS does, however, have pockets of strength on which to build in several vertical markets.

- ¶ Successful models for competing in the applications-led area exist and can be used to build a get-well plan for GIS in this segment.
  - Clearly identifiable best practices exist.
  - HP and IBM (AS/400) business systems serve as useful case examples of successful strategies.
  - Digital's value delivery system gaps are identifiable and addressable to improve performance.

- ¶ To improve its performance in these markets GIS should launch a host of initiatives to bolster its channel programs and increase revenues.
  - Launch base-level programs to address platform availability deficiencies (e.g., Alpha, OSF-1).
  - Implement programs that improve revenues from existing partners.
  - Implement programs to attract major new partners in selected vertical industry segments.
  - Begin efforts to improve the quality and execution of channel support programs and sales efforts.
  - Capture the $170 million to $300 million in incremental revenues potentially available to GIS from implementation and execution of the above initiatives.

MARKET DEFINITION

The applications-led solutions market consists of systems sold through, or in conjunction with, a third-party partner (e.g., CSO) along with a packaged application solution. In this market, the customer primarily buys based on the strength of the application; and the solution provider exercises great influence over the choice of platform and therefore plays a dominant role in future customer buying decisions

GIS STRATEGY AND OBJECTIVES

GIS's strategy in this segment is to increase its share of VMS and Unix platforms sold through applications-led solutions partners, particularly in the large and growing commercial segments by achieving the following objectives

- Reverse the decline in sales through existing vertical channel partners by focusing resources and programs only on the key partners and segments, in order to build a more competitive value delivery system generating an incremental $50 million to $100 million in revenues by FY1994

- Attract new partners in high-potential vertical market segments, generating an incremental $120 million to $200 million in production systems revenues by FY1994

MARKET ASSESSMENT AND PLANNING ASSUMPTIONS SUMMARY

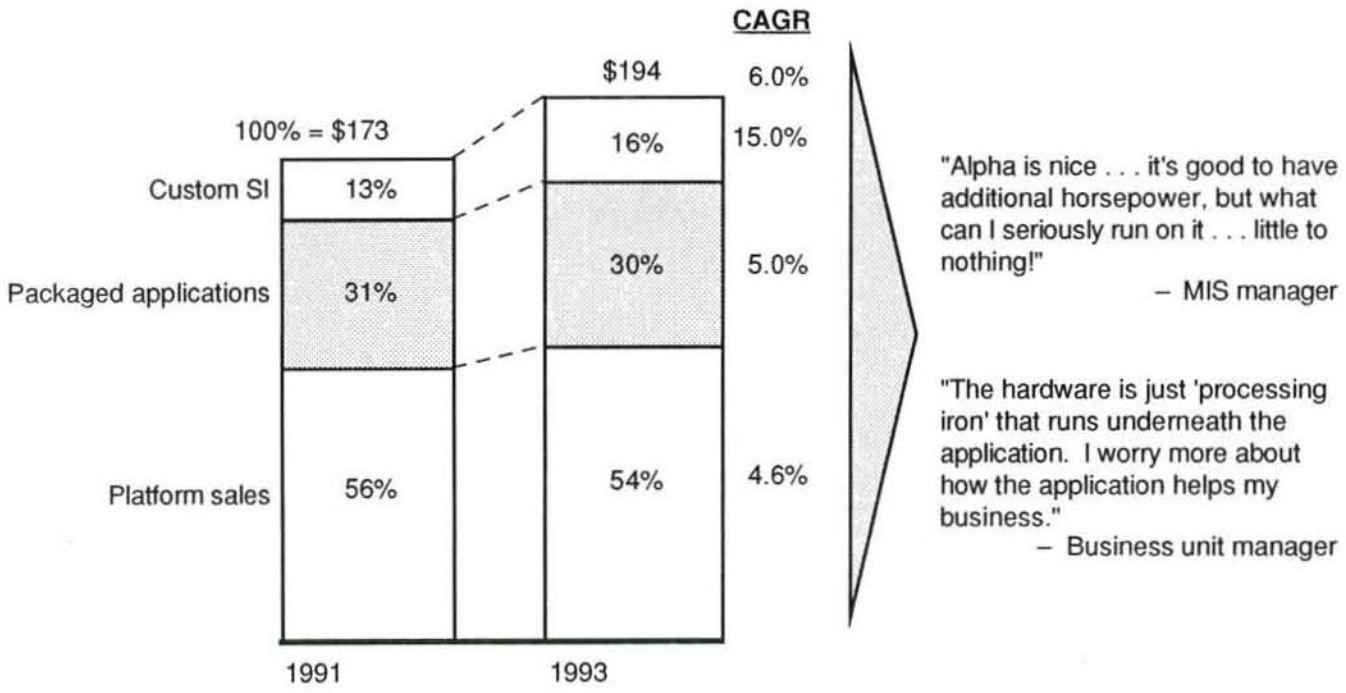
Area	Assessment/planning assumptions
Market size and growth	– Hardware and OS sales = $32 billion; CAGR = 1% – In overall IT market, new applications represent 87% of industry growth, 50% of which is in this market
Major forces at work	– Customers' buying decision based on vertical application features and standards-based platforms – Falling price points and gross margins dictate increased use of indirect channels
Competitors* share of platform sales	– IBM 23% – HP 5% – Fujitsu 5% – Digital 2%
Platform trends	– Shift to Unix platforms and client-server architectures – Decline in proprietary minicomputer shipments (except AS/400, which is expected to grow at 5-7%/year)
Use of channel partners	– Top vendors in each market segment have dominant market share – Hardware vendors must have support of leading vendors to be competitive, quality not quantity matter
Digital position	– Weakly represented in many important commercial markets, stronger in many technical markets – Digital is rapidly losing support of many large important channel partners on which it relies for the bulk of its indirect channel revenues – Initial Alpha platforms available Q3 FY1993 for VMS and OSF-1 – Production systems capable OSF-1 by Q1 FY1994 – Attractive application-based vertical or horizontal market segments for Digital are • Health care • Manufacturing • Telecom • Banking • Utilities • FABS

* Appendix 3 contains a detailed competitive profile on IBM and HP

Sales of production systems through partners and packaged applications comprise a third of GIS's available market and the availability of the appropriate packaged solutions is a key customer buying factor for GIS's product suite.

TOTAL SEGMENT SALES – APPLICATION-LED PRODUCTION SYSTEM SALES

$ Billions



Note: Total sales include all hardware, software, and services in the segment

Source: IDC; Dataquest; interviews; team analysis

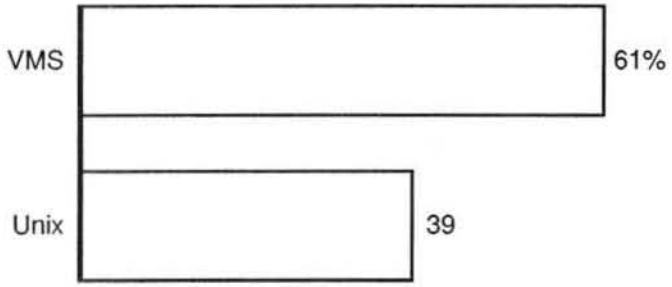
B03 0179/E

Market Shifting to Open Systems. Customers, and especially Digital customers, are increasingly considering Unix as a platform for new applications.

PLATFORM CHOICES FOR NEW APPLICATIONS

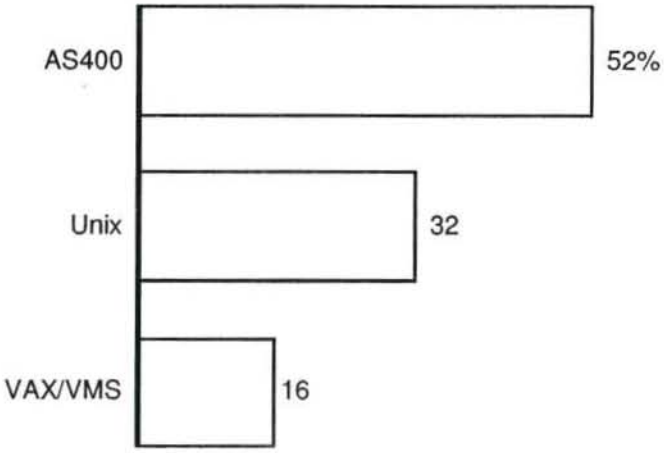
Which platform will you consider for those new applications?

DEC BASE
Survey = 168 responses



Note: Of these applications 21% are expected to be downsized, remaining are not

BROADER MARKET
Survey = 341 responses



Note: Unix likely to be used in in downsizing 46% of time vs. VAX/VMS 21%

Source: Standish Group Survey 341 respondents across 12 industries, May 92

In interviews, few customers claimed to be making substantial future investments in VMS or OpenVMS systems, they are investing in developing two-tiered architectures – typically through extending their applications in the MVS space while growing the the client-server segments such as Unix, DOS, and OS/2.

WHERE COMPANIES ARE MAKING MAJOR FUTURE INVESTMENTS

Customer	MVS	OS400	VMS/ OpenVMS	Unix	DOS, OS/2 Windows, Mac OS
Campbell Soup	√	√		√	√
Lever Brothers Co.	√			√	√
Tambrands		√			√
Nabisco	√	√			√
Polaroid	√		√	√	√
Kodak	√				
Bristol Myers Squibb	√			√	√
Goldman Sachs	√			√	√
Shearson/Lehman	√			√	√
The Boston Company			√		√
National Citibank	√				√
Society					√
J.P. Morgan				√	√
Panhandle Eastern	√			√	√
Houston Light & Power	√			√	√
Indianapolis Power & Light	√			√	√
PSI	√			√	
Detroit Edison				√	

Source: Interviews

Many leading CSOs are porting or rearchitecting their applications to Unix to respond to this shift in buying patterns.

MAJOR CSOs CONVERTING TO UNIX ILLUSTRATIVE

$ Millions

CSO	1990 revenue	Current operating system	Reason
Ask Computers	$340	VMS, OS400, MPE	Customers defining Unix as open
Ross Systems	30	VMS	Customer demand
D&B software	425	MVS, OS400 , VMS	Facing increasing pressure from Oracle and People Soft in client/server applications
Quotron	n/a	"Proprietary"	Distributed environment for trading system
ABB	n/a	VMS	Customer demand
SAP	17*	MVS	Vendor independence, customer demand
Legent/Goal	350	Various	Vendor independence, customer demand
SAS	240	VMS, MVS	Vendor independence, customer demand
Software AG	55	Various	Customer demand; ease of porting applications from MVS to Unix
Atex	60	VMS/PDP-11	Strategic realignment with IBM RS/6000

* U.S. only

Source: IDC; trade press; interviews

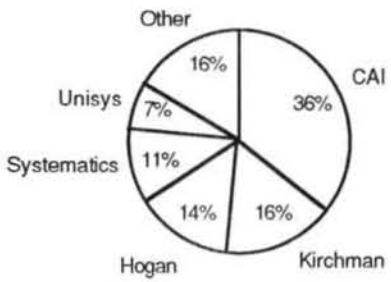
Segments Dominated by Small Number of CSOs. In general, a few vendors often dominate vertical market segments. This suggests that which CSOs Digital attracts, not how many, is a critical success factor in this market. For example, the contrast between Digital's penetration of leading health care and FABS CSOs versus selected banking vertical segments is striking.

MARKET SHARES OF CHANNEL VENDORS IN VERTICAL SEGMENTS

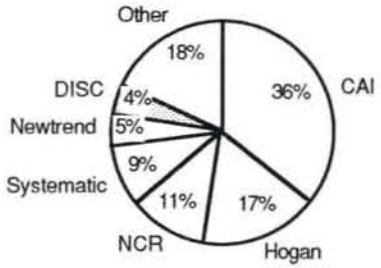
Percent

Based on Digital platform

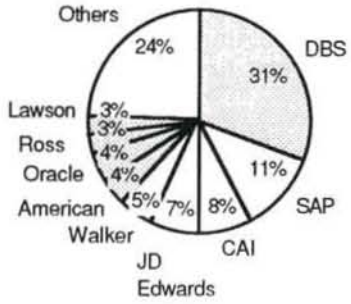
BANKING – DEPOSIT/ LOAN SYSTEMS
100% = $670 million



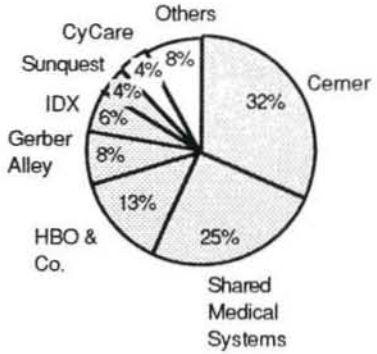
BANKING – OPERATIONS/ ADMINISTRATIVE SYSTEMS
100% = $250 million



FABs – ACCOUNTING SYSTEMS
100% = $900 million



HEALTHCARE*
100% = $1,557 million



* Includes channel vendors with revenues over $5 million

Source: Market Intelligence; Gartner Group; CW data base

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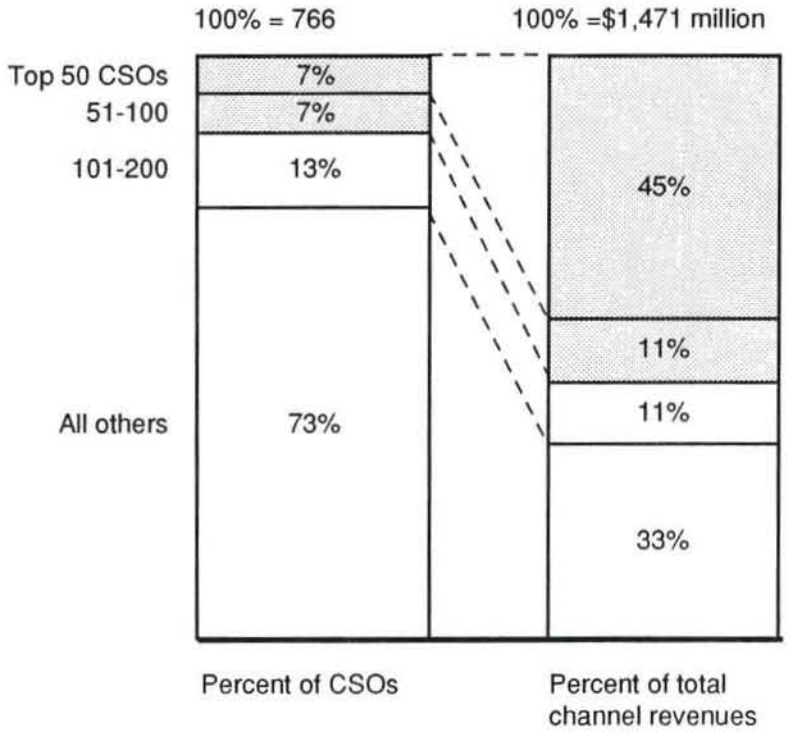
Digital Indirect Channel Revenue Highly Concentrated, and Shrinking. Digital is heavily reliant on its top 100 CSO partners for its indirect channel revenues. Although only 14 percent of all of Digital's CSOs, they generate 56 percent of indirect channel revenues. Outstanding support of these few partners is critical to maintaining indirect channel revenues.

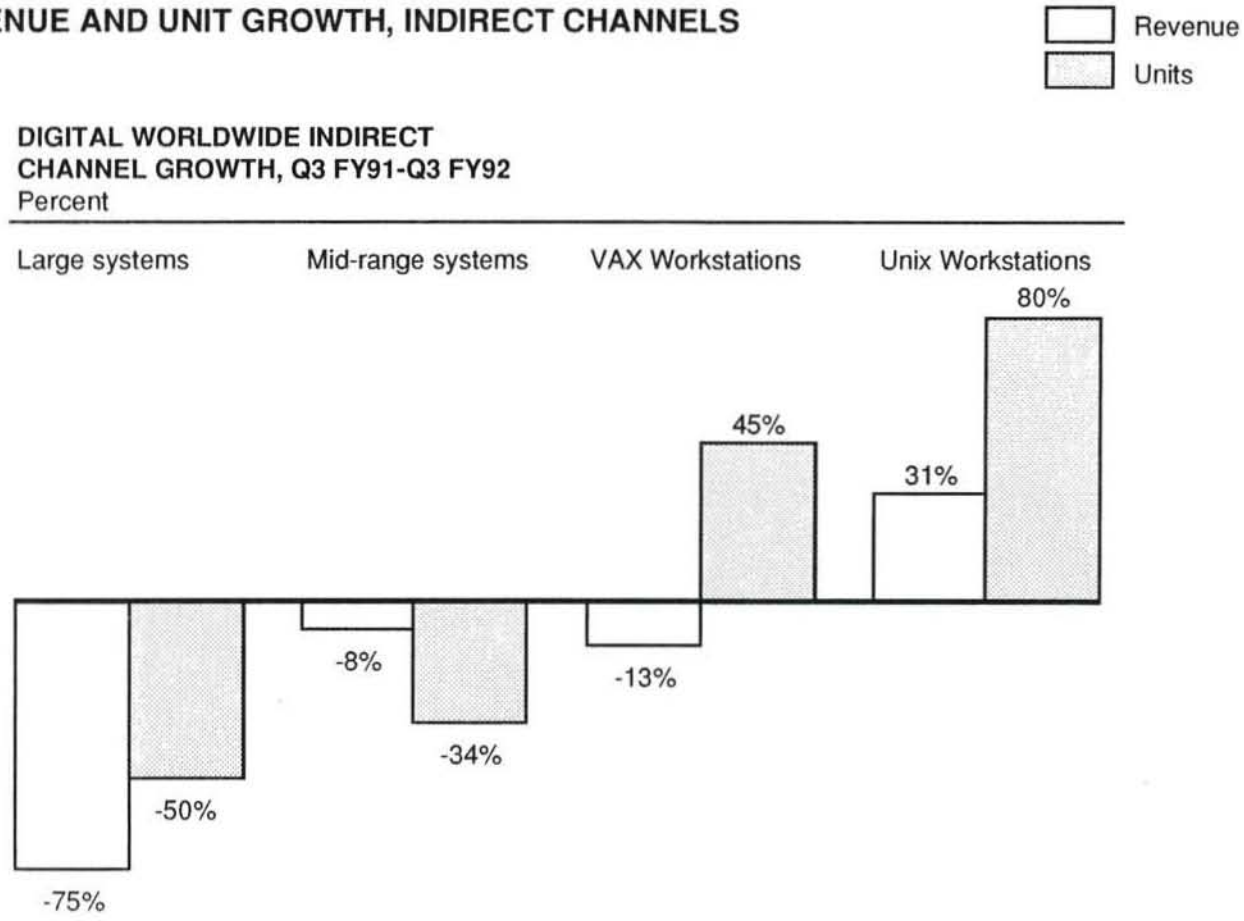
CONCENTRATION OF INDIRECT CHANNEL REVENUES



Source: U.S. Channels Marketing, based on actual revenues from Q1 FY 91 through February FY 92

Digital has been unable to increase its indirect channel revenue despite large unit shipment increases in some product categories. Falling prices are outpacing the ability of Digital's channels to place enough hardware to maintain revenue levels. Unix workstations are the only exception to this trend with revenue growing 30 percent year over year – albeit off a smaller base.

REVENUE AND UNIT GROWTH, INDIRECT CHANNELS



Source: OEM/VAR Business Group

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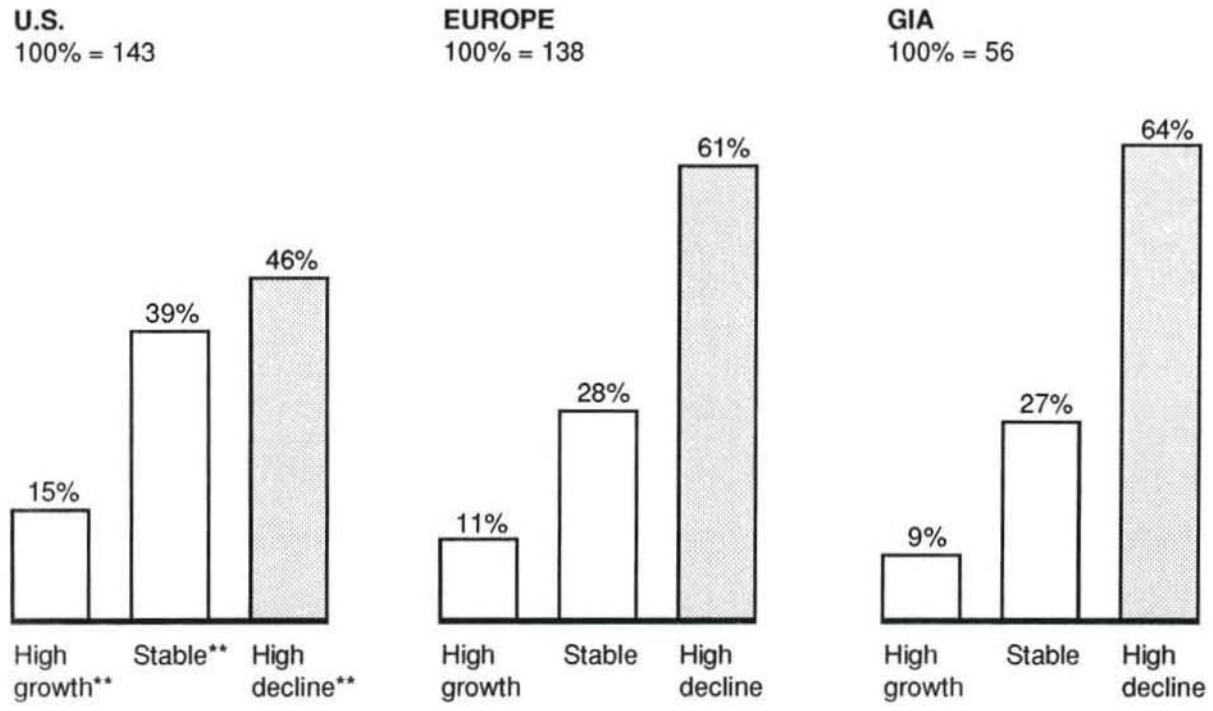
Among large accounts (over $1 million in revenue) those whose purchases from Digital declined vastly outnumber those who have increased their buying from Digital across all geographies.

DIGITAL REVENUE TRENDS AMONG LARGE CHANNEL PARTNERS*



* Large accounts defined as those with over $1M in Digital product revenues through Q3 FY92

** High growth defined as 25% or greater revenue increase Q3 FY91 over Q3 FY91. Stable defined as revenue within +/- 25% of previous year. High decline defined as 25% or greater revenue decrease Q3 FY92 over Q3 FY91

Source: OEM/VAR Business Group

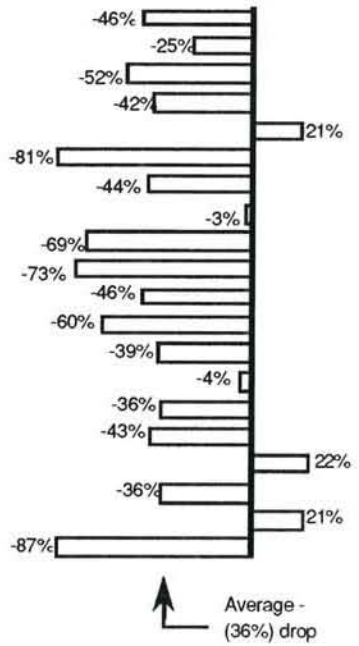
B03 0253/V

FY1992 revenues from the Top 20 CSOs in FY1991 will be on average 36 percent less if present trends continue. This revenue drop clearly indicates Digital's channel position is eroding beyond the effects of the economic downturn. U.S. Channel Marketing's total FY1992 revenue projection is 29 percent less than FY1991.

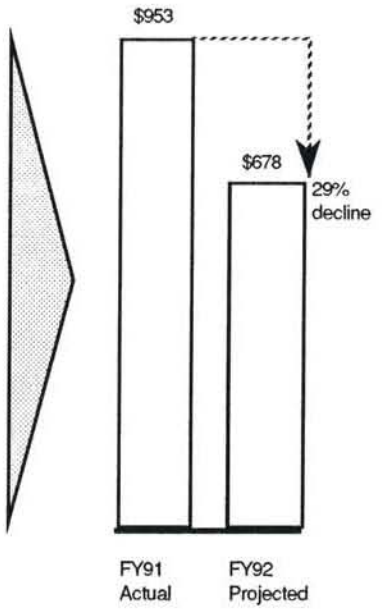
FY91 TOP 20 CSOs – FY92 REVENUE OUTLOOK*

FY91 ranking	CSO	Market focus	FY 92 revenues through February $ Thousands
1.	ASK Computer Systems	Manufacturing	$11,754
2.	IDX Computer Systems	Health Care	13,086
3.	Shared Medical Systems	Health Care	7,908
4.	Schlumberger	Engineering	9,228
5.	Cerner Corp.	Health Care	18,092
6.	McDonnell Douglas	Banking	2,082
7.	Gerber Alley	Health Care	5,314
8.	Sunquest	Health Care	6,786
9.	User's Inc.	Banking	1,840
10.	General Electric	Engineering	1,604
11.	J.H. Leskin Associates	Retail	3,176
12.	Asea Brown Bovieri	Utilities	2,328
13.	Siemens Corp.	Health Care	3,538
14.	National Computer Systems	Banking	5,324
15.	Corstar Business	Wholesale	3,457
16.	System Associates (AMEX)	Finance	3,037
17.	Blockbuster	Retail	6,332
18.	ESCA Corp.	Utilities	3,268
19.	EDS	Engineering	6,079
20.	PRC	state/local government	632

PERCENT INCREASE/ DECREASE IN PROJECTED FY92 REVENUES OVER FY91*



U.S. CHANNELS MARKETING TOTAL REVENUE FORECAST
$ Millions



* Note: FY92 full-year estimates based on annualizing actual revenues from Q1 FY 92 through Feb 1992

Source: U.S. Channels Marketing

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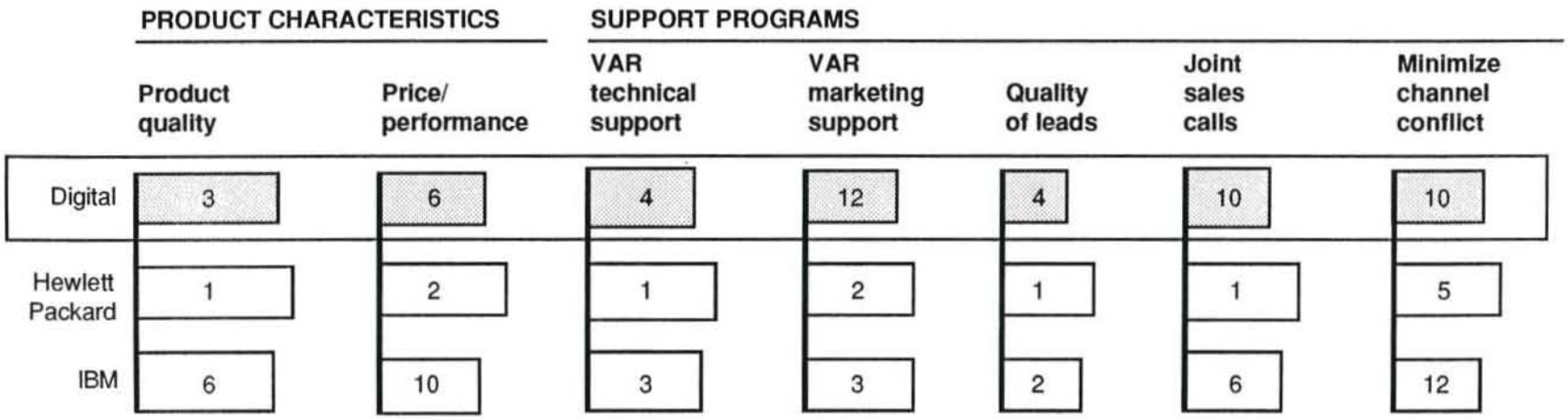
Channel Support Programs Weak. While Digital has recently improved its product characteristics in the VAX/VMS line, the channels view Digital as having weaknesses in the critical dimensions of the Unix and channels programs. These are areas where substantial emphasis is required to be competitive. In contrast, HP ranks consistently in the top one to two across almost all categories.

CHANNEL PARTNERS' RANKING OF VAR PROGRAMS

Ranking among 14 hardware vendors*



* Other vendors ranked include Data General, Prime, TI, AT&T, NCR, Unisys, Sun, Altos, GRID, WYSE, Apple

Source: VARBUSINESS

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Vertical Market Opportunities to Focus On. IBM has achieved much better penetration than Digital in several important vertical market segments. Digital's overall share of IT spending in most verticals is low.

MARKET SHARE BY INDUSTRY SEGMENT – FY1991

IBU	Total market size $ Millions	Digital share	Key competitor share	
Insurance	$15,50	1%	IBM	63%
Media	C	4%	IBM	16%
Utilities	6,200	2%	IBM	**
Retail/Wholesale	17,000	1%	IBM	53%
Computer Software & Services	37,000	4%	**	**
Legal Services	6,300	2%	**	**
Arch./Engineering/Construction	4,000	1%	**	**
Accountants & Consultants	18,000	1%	**	**
Other Professional Services	5,000	2%	**	**
Healthcare	7,100	4%	IBM	10%
Aerospace	12,700	8%	IBM	**
Automotive & Other Discrete	7,768	6%	IBM	**
Chemical	16,907	7%	IBM	65%
Electronics/Consumer	8,300	6%	IBM	**
Electronics	28,592	4%	IBM/HP	**
Consumer Packaging	6,488	6%	IBM	40%
Goods/SDS	6,533	11	**	**
Oil & Gas	2,382	%	IBM	**
Pharmaceutical	21,525	2%	IBM	**
Forest, Mining, Metals & Glass	18,000	5%	IBM	12%
Education	72,300	0	**	**
Small & Medium Enterprise	26,900	5%	IBM	34%
Banking & Investments	12,900	9%	IBM	**
Telecommunications	22,280	1%	IBM/HP	**
Travel/Transportation	47,000	0	IBM	35%
Components	21,400	9%	*	**
Finance & Admin. Business	25,000	8%	IBM	9%
Systems	19,000	10	IBM	35%
Office Information Systems	2,700	%	IBM	3%
Electronic Publishing Systems	5,245	12	Motorola	19%
Application Development	12	%		
Systems		4%		
Environment		**		
Technical OEM				

** Data not available for leading vendors

Note: Data unavailable for cable television, federal government, state/local government, and I/S Operations and Planning markets

Source: Digital IBUs

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A preliminary analysis suggests that the telecom, health care, banking, utilities, and manufacturing vertical markets, in addition to FABS as a horizontal opportunity, should be the preliminary target markets GIS should focus on in FY1993.

TARGET MARKETS FOR INITIAL GIS FOCUS

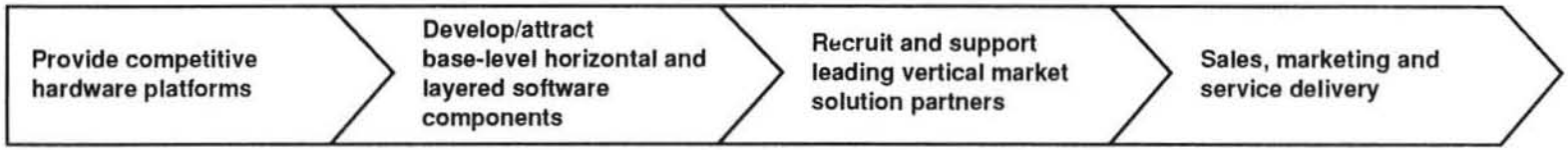
● Strong
○ Weak

		Criteria						
	Verticals	Market size	Market growth	Relative Digital share	Current profit-ability	Ability to mobilize other parts of Digital	CSO/ channel position	Comment
Suggested focus areas	Telecom	●	●	●	●	◑	◑	Highly profitable IBU
	Health care	●	●	◑	◑	●	●	High growth, excellent channel position
	Banking	●	●	◑	◑	◑	○	Huge market, moderate Digital position
	Manufac-turing	●	◑	●	◑	◑	●	Traditional Digital strength
	Utilities	●	◑	◑	●	●	◑	Strong IBU, but share gains in commercial systems difficult to achieve in U.S.
	FABS	●	●	●	◑	●	◑	Aggressive efforts underway to recruit new CSO partners, particularly for Unix solutions
Other possibilities	Chemical	◑	◑	●	◑	?	◑	
	Travel/ transportation	●	●	○	◑	?	◑	
	EPS	◑	◑	●	◑	?	●	

Successful Business Models and Digital
Gaps in the Applications-led Opportunities

Elements across the entire channel/partner value delivery systems must be aligned to build a successful and competitive packaged solutions business.

KEY FACTORS FOR SUCCESS IN APPLICATIONS-LED SOLUTIONS SEGMENT



Leading price-performance platforms priced to give partner competitive margins

Clear commitment to platforms, ongoing development to maintain leadership position

Adherence to open standards (e.g., Unix) required to attract new name partners

Excellent technical, porting, and developmental support programs

Broad product line – with premium and fighting brands

Availability of industry-leading middleware and horizontal applications on platform
- RDBMs products
- Horizontal applications
- Networking communications required for interoperability

Availability of development and porting tools, technical hotline support, and training

Fund porting to vendor's platform

Target key vertical industries for strategic focus

Attract leading CSOs and solutions in each vertical segment, achieve #1 or #2 position as platform supplier to CSO, maximize share of mind within each CSO

Constantly monitor and recruit emerging new channel partners

Availability of porting and development tools, technical hotline support, and training

Assign preferred vendor status or exclusive territories to leading CSOs

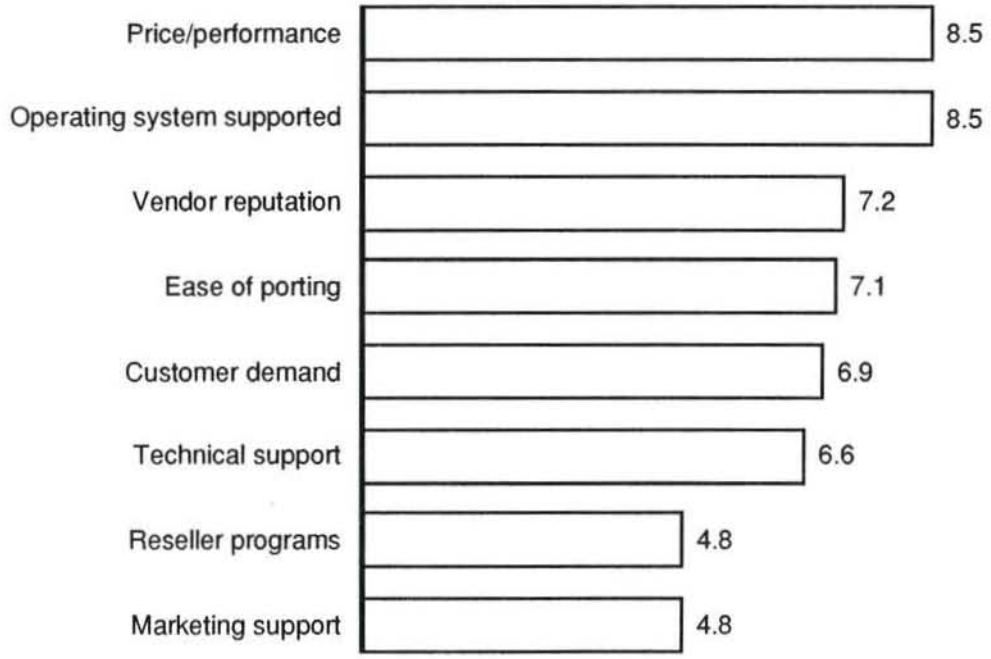
Superior execution of sales support programs
- Corporate advertising
- Cooperative advertising
- Lead generation (direct mail and telemarketing)
- Joint sales call coordination
- Trade show and seminar participation and support

Minimization of channel conflict

Incentives and commissions for winning business

Product characteristics, in general, are most important to VARs and therefore GIS should move swiftly to execute the OpenVMS and additional base platform initiatives (described in detail later in the document).

VARs' RANKING OF IMPORTANCE OF VENDOR PRODUCT/PROGRAM CHARACTERISTICS
Scale of 1 to 10, 10 being most important



Source: IDC survey of 272 VARs, May 1992

HP and IBM have better tuned and integrated their value delivery systems to succeed with applications-led solutions partners.

COMPARISON OF DIGITAL'S VALUE DELIVERY SYSTEM WITH HP AND IBM AS/400

Key success factors for competitors

Element	Hewlett-Packard	IBM AS/400	Digital
Provide competitive hardware platform environment	– Leading price/ performance platforms	– HP-Unix products maintaining price/ performance leadership	– Original AS/400 line underpowered	– Price/performance lagging until recent price cuts – "waiting for Alpha"
	– Clear commitment to ongoing development to maintain platform viability and leadership	– Strong continued investment in HP-Unix products and PA-RISC architecture	– Strong investment to improve and broaden AS/400 line • More models, higher computer power • Interoperability • POSIX compliance	– Confusion among channel and customers as to priority/support Digital devoting to VMS, MIPS/Ultrix, and Alpha/OSF-1; creates hesitation to commit to any of them
Attract horizontal and layered software components	– Availability of industry-leading middleware	– Compatible with all major Unix RDBMs products – Aggressive delivery of CASE tools for POSIX compliant MPE	– Bundled proprietary RDBMS – Compatible with existing infrastructure of RPG-II applications and development expertise	Digital bundling of Rdb alienated many RDBMs ISV's, reduced support
Recruit and support leading vertical market solution providers	– Target key vertical industries to gain market share	– Vertical market focus in • Manufacturing • Distribution • Telecom • Health care • Engineering	– Leverage huge installed base of RPG-II vertical and horizontal applications of S/3X users – Placemats strong in • Manufacturing • Medical/education • Government • Wholesale – Numerous equity investments in overseas distribution partners	– More diffuse industry focus, although strong in manufacturing, engineering, and health care
	– Assign preferred vendor status/exclusive territories to leading partners		– Industry remarketers given exclusive territories – One partner selected early in each sales cycle	– Digital bids with multiple partners to "let customer decide", creates perception of disorganization with customer
Coordinate sales and service delivery	– Superior execution of sales support programs	– Generous (10%) "finders fees" commissions on new business – Best at lead generation, telemarketing, and joint sales calls	– Channel partner management handled in field to improve coordination with sales force – Extensive solutions seminars and programs involving partners to generate leads and create opportunities	– Digital ranked lower than HP and IBM on execution of field marketing programs

Source: Dataquest; VARBUSINESS; Gartner Group; Computer Intelligence; interviews; team analysis

Digital's packaged solution channel business system is not as coherent or consistent as either HP's or IBM's AS/400 channel strategies; its product direction message is unfocused and field support of channel partners is viewed by them as uneven. As a result, indirect channel revenues are dropping dramatically.

DIGITAL APPLICATIONS-LED SOLUTIONS VALUE DELIVERY SYSTEM

EXAMPLE

	Provide competitive hardware platforms	Attract horizontal and layered software components	Recruit and support leading vertical market solution providers	Coordinate sales and service delivery
Digital business system characteristics	– Mixed signals regarding Ultrix vs. OSF support as lead Unix offering – OpenVMS appropriate for installed base, but not a new name offering – Price/performance has lagged, now back in line	– Aggressive support of Rdb alienated independent RDBMS vendors (e.g., Oracle) – FABS slowly penetrating IBM-dominated VARs "Commercial strength" production systems – Alpha/OSF-1 middleware not available until FY94	– Digital strong in manufacturing, health care, and printing/publishing but has low share of channel in many other verticals – VARs view Unix not VMS, as most attractive next platform to port to, for new applications	– Digital does not select prime CSO partner in sales opportunities, creates intramural competition which damages credibility – Digital ranked lower than IBM and HP in important channel support activities • Technical support • Marketing support • Lead generation • Joint sales calls
Business system gaps between Digital positions and best practices	– Perceived lack of long-term, strong commitment to a single Unix platform creating uncertainty among partners	– Low penetration of FABS vendors; Digital not viewed as obvious platform choice to port to Unix – Support of Digital by RDBMS vendors is unenthusiastic	– Diffuse focus of resources across too many verticals – Lack of focus on top CSOs responsible for majority of segment sales – No operational plan for strategic equity investments	– Poor executional support of channel partners • Sales coordination • Incentives/commissions • Lead generation • Marketing support • Technical support

Results

FY1992 vs. FY1991 CSO revenues dropping dramatically (est. 29%)

Major, once exclusive, CSOs (e.g., Ross, ABB) porting VMS applications to Unix

Source: Interviews; company information; team analysis

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Initiatives to Close Gaps

To begin revitalizing the applications-led solutions business, GIS should pursue initiatives along four fronts which improve the base hardware and layered software offering, bolster support for key vertical market partners, and improve execution in the field.

SUMMARY OF INITIATIVES TO IMPROVE APPLICATION-LED SOLUTIONS SEGMENT

Pursue initiatives to improve base platform, layered software, and horizontal partner position
- Base level GIS programs (e.g., OpenVMS/Alpha ready, FABS, ISDP ADSG initiatives, see Appendix 2)
- Incremental initiatives
  - Accelerate OSF-1 development to pursue segments of market not requiring full strength complex systems
  - Clarify marketing message for VMS/Ultrix/OSF-1 product positioning to channel and end-user
  - Develop additional porting tools for popular competitive platforms
  - Improve middleware offerings by leveraging the industry infrastructure for data bases and other tools

Rationalize and focus CSO support programs for existing vertical market channel partners to reverse revenue decline
- Reallocate investment to focus on top-tier CSOs
- Target dominant 5 CSOs in 5-7 target vertical markets for focused cultivation
- Adjust incentives and commissions to promote production systems sale
- Establish executives outreach/mentor program to increase communication
- Selectively invest in leading CSOs to capture increasing share of value creation and protect Digital's position from competitive threats

Attract new leading vertical industry CSOs to Digital platforms
- Target 5-7 vertical industry for near-term focus
- Build longer term recruitment process to build quality CSO relationships

Improve field execution of sales and service delivery processes involving CSO partners
- Improve lead generation programs
- Establish preferred solutions providers by industry application and geographic segment
- Improve coordination of joint selling efforts between field sales and CSOs
- Improve CSO technical and marketing support programs
- Establish CSO opportunity pipeline monitoring and sales support procedures
- Institute information feedback/communication systems with largest VARs to monitors, in-depth and periodically, overall "pulse" of key CSOs

Base Platform Initiatives. Four key actions are required to strengthen GIS's offering in the production system environment.

INITIATIVES TO IMPROVE APPLICATIONS-LED SOLUTIONS VALUE DELIVERY SYSTEM – BASE PLATFORM

Initiative/action	Responsibility	Timing	Goal
Accelerate development schedule to provide good enough OSF-1, i.e., stable commercial-applications-ready version in 6-8 months earlier than current plan. Critical path item to attract new CSOs who are developing applications on Unix platforms	– Software development/GIS	– Begin immediately	– Accelerate good-enough OSF-1 delivery to Q3 or Q4 FY1993
Clarify/harmonize marketing message on positioning of VMS/Ultrix/OSF-1 for channel and customer base. Possible message is OpenVMS for installed base, Ultrix migration to OSF-1, OSF-1 for new names – Targeted market segments – Differential pricing – Advertising campaigns – Sales literature and collateral – Trade press/industry experts outreach activities to influence industry opinion leaders	– U.S. marketing to lead, GIS and IBU marketing to participate and support	– FY1993	– Marketing message developed and communicated by mid-FY1993 – Increased field sales and customer confidence in platform positioning and support (as measured by surveys)
Develop additional porting tools to enable CSO partners to port from competitors platforms onto Digital platform – AS/400-RPGII applications – HP MPE – Vulnerable competitors (e.g., Bull)	– Software development to develop – GIS to indicate which tools and development priorities	– End of year FY1993	– Tools available and distributed to key channel partners by end of year FY1993
Improve middleware offerings through targeted programs to support third party data base (e.g., Oracle, Informix, etc.)	– FABS/GIS marketing/systems engineering	– Beginning of Q2 FY1993	– Become "#1 or #2" platform supported by key middleware vendors

Existing Partner Initiatives. GIS, working closely with the IBU's, should quickly rationalize the existing CSO support programs to focus only on the dominant CSOs in each target market.

INITIATIVES TO IMPROVE APPLICATIONS-LED SOLUTIONS VALUE DELIVERY SYSTEM – EXISTING PARTNERS

Initiative/action	Responsibility	Timing	Goal
Focus majority of IBU and field CSO support resources and activities on Top 100 CSO accounts to target and supports CSOs that "really matter" in production systems sales	– GIS to identify CSOs – IBUs and channel marketing to evaluate current resource deployment and reallocate	– Q2 FY1993	– Activity and spending reallocated by mid-year
Target dominant CSOs in 5-7 vertical markets for focused cultivation in production systems sales (suggested verticals: health care, manufacturing, telecom, banking, utilities; see details on next page)	– GIS marketing and IBUs to select and support target CSOs	– FY1993	– Increase revenues 10% from target CSOs over projected FY1992 revenues for net impact of $50-100 million in FY1994
Establish incentive program that rewards CSO partners with "finders fee" by offering commission in total contract value of production system opportunity (not just CSO value added)	– Channels marketing/field sales to implement – GIS to assess financial impact	– Q1 FY1993	– Implement in Q1 FY1993, increases in production systems sales through channel by Q3 FY1993
Selectively make equity investments in leading CSOs to ensure commitment to Digital product platform	– U.S. channels marketing to structure and execute transaction – IBUs and GIS to select/ recommend CSO partners	– FY1993	– Strategic investments made in 5 leading CSOs by end of FY1993, 5 more in FY1994

EXISTING PARTNERS – FOCUSING SUPPORT ON DOMINANT CSOs IN TARGET VERTICALS

Initiative/action	Responsibility	Timing	Goal
Health care Focus additional support on leading Digital Top 10 health care CSOs – Cerner – IDX – Shared Medical – Sunquest – Gerber Alley – Ferranti International – HBO & Company – Antrim – Siemens – Perkin-Elmer	Health care IBU to implement	FY1993	Increase Digital revenues (est. ~$100 million in FY1992) by 10%/year
Manufacturing Focus additional support on Top 10 Digital CSOs – ASK – Schlumberger – ASA – Bailey Controls – Effective Management Systems – Fisher Controls – Finigan – GE – TI – Measurex	Manufacturing IBUs	FY1993	Increase Digital revenues 10%/year over FY1992 forecast (est. $61 million)
Telecom Focus additional support on Top 6 Digital CSOs – Input Output Computer – Computer Generations – Porta Systems – Northern Telecom – Martin & Associates – DSC	Telecom IBU	FY1993	Increase Digital revenues 10%/year over FY1992 forecast (est. $33 million)

EXISTING PARTNERS – FOCUSING SUPPORT ON DOMINANT CSOs IN TARGET VERTICALS, continued

Initiative/action	Responsibility	Timing	Goal
Banking Focus additional support on leading Digital Top 10 banking CSOs – National Computer Systems – Auto. Financial – McDonnell – Users – Springfield – Montian – Micrognosis – Source Data – McCue – Data Concepts	Banking IBU	FY1993	Increase Digital revenues 10%/year over FY1992 forecast (base = $23 million)
Utilities Focus additional support on leading utilities CSOs – ABB – ESCA – Landis & Byr – Central Area DP – Johnson Controls – Nuclear Data	Utilities IBU	FY1993	Increase Digital revenues 10%/year over FY1992 forecast (base = $15 million)

New Partner Initiatives. In order to grow significantly in this segment, GIS in conjunction with the IBUs, needs to attract and support a select set of CSOs in each industry. Given the time required to recruit, port, and launch a new application partnership, the revenue impact of these actions is likely to be in FY1994.

INITIATIVES TO IMPROVE APPLICATIONS-LED SOLUTIONS VALUE DELIVERY SYSTEM – NEW PARTNERS

Initiative/action	Responsibility	Timing	Goal
Target 5-7 vertical markets and cultivate dominant non-Digital CSOs to port applications to Digital platform by offering to fund porting, make equity investments, provide marketing support, etc. (see specifics on following page)	– GIS marketing and IBU to identify targets – IBU and channels marketing to pursue relationship development	– FY1993 and FY1994	– Sign 4 CSOs by Q4 FY1993 – Sign 2 of 5 target CSOs in each vertical market by Q2 FY1994, revenue impact of $120-200 million by FY1994
Build longer term program to recruit leading CSOs across multiple industries which emphasize deep commitments to a few leaders, rather than signing numerous, low-performing CSOs	– GIS and IBUs to develop prioritized list of targets – IBU and channels marketing to cultivate and sign new CSOs	– FY1994 and beyond	– Sign 5 major new production system CSOs/year starting in FY1994 – Reduce excessively high MIA/DOA rates in new CSO partners (CSOs which are signed but never generate revenues)

NEW PARTNERS – FOCUSING SUPPORT ON DOMINANT NON-DIGITAL VENDORS IN SELECTED VERTICAL CSOS

Initiative/action	Responsibility	Timing	Goal
Health care Launch CSO recruitment program focusing on Alpha/OSF-1 to penetrate 4 major new accounts – Cycare ($80 million) – Computer Task Group ($244 million) – Syntrex ($100 million) – Cardinal Health ($60 million)	Health care IBU	FY1993	– Sign 1 CSO by Q4 FY1993; sign 2 by FY1994
Manufacturing Launch CSO recruitment with Alpha/OSF-1 to penetrate 5 new accounts – XL Data ($500 million) – Systems software ($124 million) – Systems corporate ($396 million) – Network systems ($164 million) – Eaton-Kenway ($110 million)	Manufacturing IBUs	FY1993	– Sign 1 CSO by Q4 FY1993; sign 2 by FY1994
Telecom Launch CSO recruitment program with Alpha/OSF-1 to penetrate 5 new accounts – AMS ($262 million) – Octel ($160 million) – LTX ($146 million) – PTXI ($35 million) – Applied Computing ($16 million)	Telecom IBU	FY1993	– Sign 1 CSO by Q4 FY1993; sign 2 by FY1994
Banking Launch CSO recruitment program focusing on Alpha/OSF-1 to penetrate 5 major CSOs – Systematics ($256 million) – BankTec ($184 million) – Network Systems ($164 million) – Comshare ($124 million) – MP Systems ($100 million)	Banking IBU	FY1993	– Sign 1 CSO by Q4 FY1993; sign 2 by FY1994
Utilities Launch CSO recruitment program focusing on Alpha/OSF-1 to penetrate 5 major CSOs – Westinghouse Process Controll ($500 million) – NUS Corporation ($175 million) – ESRI ($40 million) – SMC&G ($40 million) – Bechtel Software ($13 million)	Utilities IBU	FY1993	– Sign 1 CSO by Q4 FY1993; sign 2 by FY1994

Field and Sales Execution Initiatives. Finally there are six channel marketing program enhancements that should be undertaken in order to improve the execution and coordination of the field and CSO selling efforts.

INITIATIVES TO IMPROVE APPLICATIONS-LED SOLUTIONS VALUE DELIVERY SYSTEM – FIELD AND SALES EXECUTION

Initiative/action	Responsibility	Timing	Goal
Improve lead generation activities by providing incentives to more quickly route qualified leads to key CSO partners	– Field sales to develop procedures and incentives to funnel leads to leading CSOs – GIS marketing and IBUs to identify CSO lead recipients by industry	– Q1 FY1993	– Lead program defined and operational by end of Q1 FY1993
Establish "Preferred Solutions Providers Program" – designated leading CSOs by industry solution and geography who are given first opportunity to be sole bidder with Digital on production systems opportunities	– GIS and IBUs to designate preferred solutions providers, field sales to implement referrals and partnering	– Q2 FY1993	– Increase CSO production system win rate by funneling opportunities to most capable CSOs
Improve coordination of joint selling efforts between field and CSOs by codifying joint selling best practices and holding training seminars with field sales. Also, adjust field sales incentives to encourage cooperation with CSO partners	– Field sales to implement training as communication of best practices for joint selling activities	– FY1993	– Increase production systems win rates through more effective coordination of selling efforts

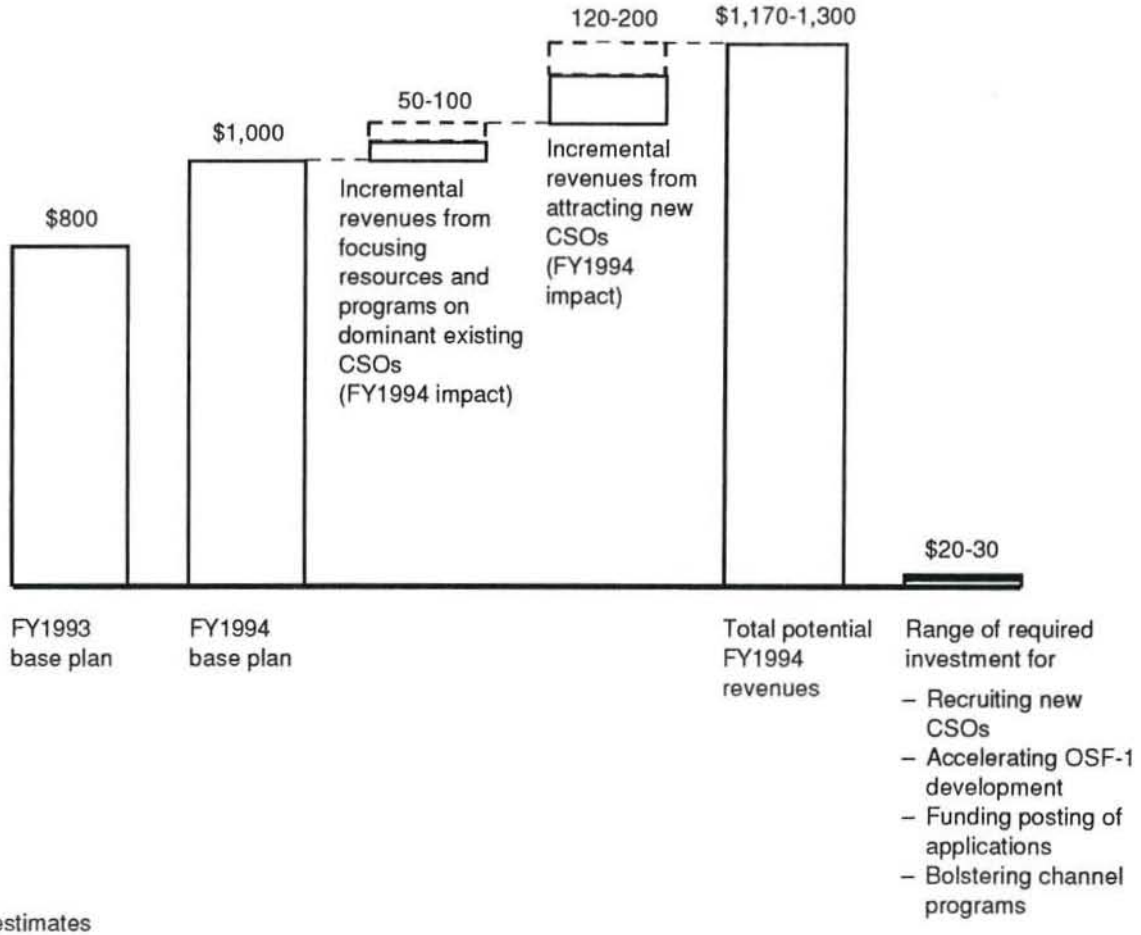
INITIATIVES TO IMPROVE APPLICATIONS-LED SOLUTIONS VALUE DELIVERY SYSTEM – FIELD AND SALES EXECUTION, continued

Initiative/action	Responsibility	Timing	Goal
Improve CSO technical and marketing support programs to match scope and quality of HP and IBM best practices	– GIS marketing, channels marketing, and systems engineering to evaluate and improve programs in each area of responsibility	– Q3 FY1993	– Programs on par with HP support programs
Establish CSO opportunity pipeline monitoring and sales support program to assist CSO partners in receiving appropriate Digital resources to complete production systems sales	– GIS marketing to establish and coordinate activities – Field sales and IBUs to provide regular inputs on pipeline status and opportunities	– Q2 FY1993	– Pipeline monitoring and support procedures operational by mid-year FY1993
Establish information feedback/communication systems to survey largest CSOs regularly and act on major concerns/issues	– GIS marketing and U.S. channels marketing to define and implement information gathering system	– Q3 FY1993	– System in place to collect feedback from Top 100 CSOs on a quarterly basis by Q3 FY1993

Financial Impact. These initiatives would require an additional $20 million to $30 million investment and would yield a $170 million to $300 million increase in revenue.

POTENTIAL IMPACT OF INITIATIVES ON BASE PLAN REVENUES FOR APPLICATIONS-LED SOLUTIONS MARKET

$ Millions



Source: Team estimates

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SERVICES-LED INITIATIVES

GIS should actively work with Digital's SI organization and partner with other SIs to participate more effectively in platform-related revenue opportunities in this market.

- ¶ The rapidly growing (15% CAGR) services-led market represents an important growth opportunity for GIS along three dimensions:
  - Rehosting/downsizing of competitive platforms
  - Supporting Digital's SI through High-Performance Teams in the key 5 to 7 verticals
  - Building partnerships with other SIs to participate in the rapidly growing client-server market.
- ¶ While Digital's SI business is growing, there remain substantial "gaps" in the existing value delivery system which GIS can help address in conjunction with the industry marketing organization and thereby capture an additional $50 million in platform revenue by FY1994.
- ¶ Additionally, there are substantial platform growth opportunities for GIS in partnering with other SIs particularly in North America, which, if effectively implemented, could add $100 million to FY1994 revenue.

Overview of Services-led Market

Segment Description. Digital's objectives in the services-led segment are to increase its revenues through Digital's SI organization in key industries and through SI partners for other opportunities.

SEGMENT DEFINITION

The services-led segment consists of systems sold as part of a custom solution to a business problem. GIS's role is to provide platforms and support to both Digital's efforts and to third parties

GIS STRATEGY

Target 5-7 vertical industries for which Digital Services will provide custom solutions on Digital platforms

Partner with leading SIs to reach the remaining industries or other cross-industry opportunities

Strengthen services-led sales in key horizontal segments such as mainframe rehosting and global networks through additional marketing efforts and by helping to field high-performance teams

GIS OBJECTIVES

Increase market share of the services-led segment to 3.5% ($150 million above upside plan) in FY1994 by

- Increasing platform sales through Digital Services from $200 million in FY1992 to $250 million in FY1994
- Increasing revenue through independent SIs by $100 million, largely through client-server initiatives
- Raise revenues an additional $40 million through rehosting and global networks initiatives

Planning Assumptions. The key market trend, competitive position, and target segment assumptions for this rapidly growing segment are described below.

MARKET ASSESSMENT

Area	Planning assumptions
Market	– FY1993 $37.7 billion total revenues; 12.1 billion product revenue – FY1992-94 CAGR 15% total revenue; 1% product revenue – Sales of proprietary minicomputer platforms are expected to decline, Unix-based platforms are expected to grow – Client-server solutions are the fastest growing (80% CAGR) subsegment ($900 million in server hardware revenue FY1993)
Competitors	– Platform-providers market shares • IBM 41% • HP 5% • Fujitsu 3% • Digital 2% • Amdahl 2% – SIs market shares* • IBM 9% • EDS 8% • CSC 5% • NTT 4% • Digital 3% • Cap Gemini 3% • Andersen 2%

* Of professional services revenue – CY1990, see Appendix 3 for greater detail

Source: Gartner Group; IDC; annual reports; company data; team analysis

MARKET ASSESSMENT, continued

Area	Planning assumptions
Digital products	– OpenVMS and OSF/1 on Alpha by Q1 FY1994 – Alpha server platforms price/performance competitive and available Q3 FY1993 – Additional improvements to VMS to allow for more robust production systems capabilities by Q1 FY1994
Representative cost structures	– SIs (e.g., Andersen, EDS) • COGS 77% • SG&A 12% • Op. Income 10% – Platform provider to SIs (e.g., HP, IBM, Tandem) • COGS 54% • SG&A 30% • R&D 10% • Op. Income 6%
Vertical focus	– Same industries as applications-led segment, plus government • Telecom • Health care • Banking • Manufacturing • Utilities • Government

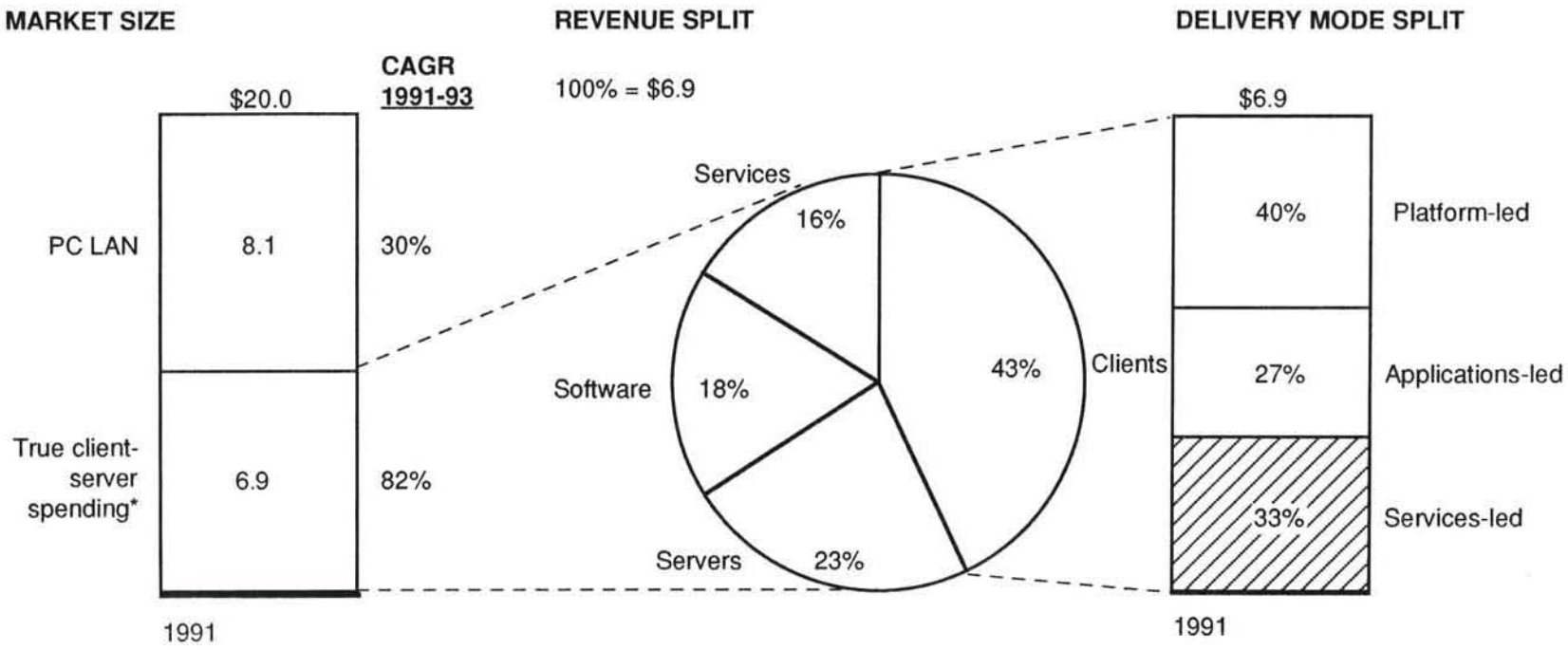
Source: Gartner Group; IDC; annual reports; company data; team analysis

Key Opportunities. In the client-server subsegment projected to grow at 80 percent per year over the next several years, 33 percent of sales are services and 66 percent of all client-server revenue is platform hardware.

CLIENT-SERVER MARKET – TOTAL IT SPENDING

$ Billions

ESTIMATE



* Defined as systems working together (cooperative processing), but not counting file servers that are simply an extension of a PC's I/O subsystem

Source: Input; Forrester Research; team analysis

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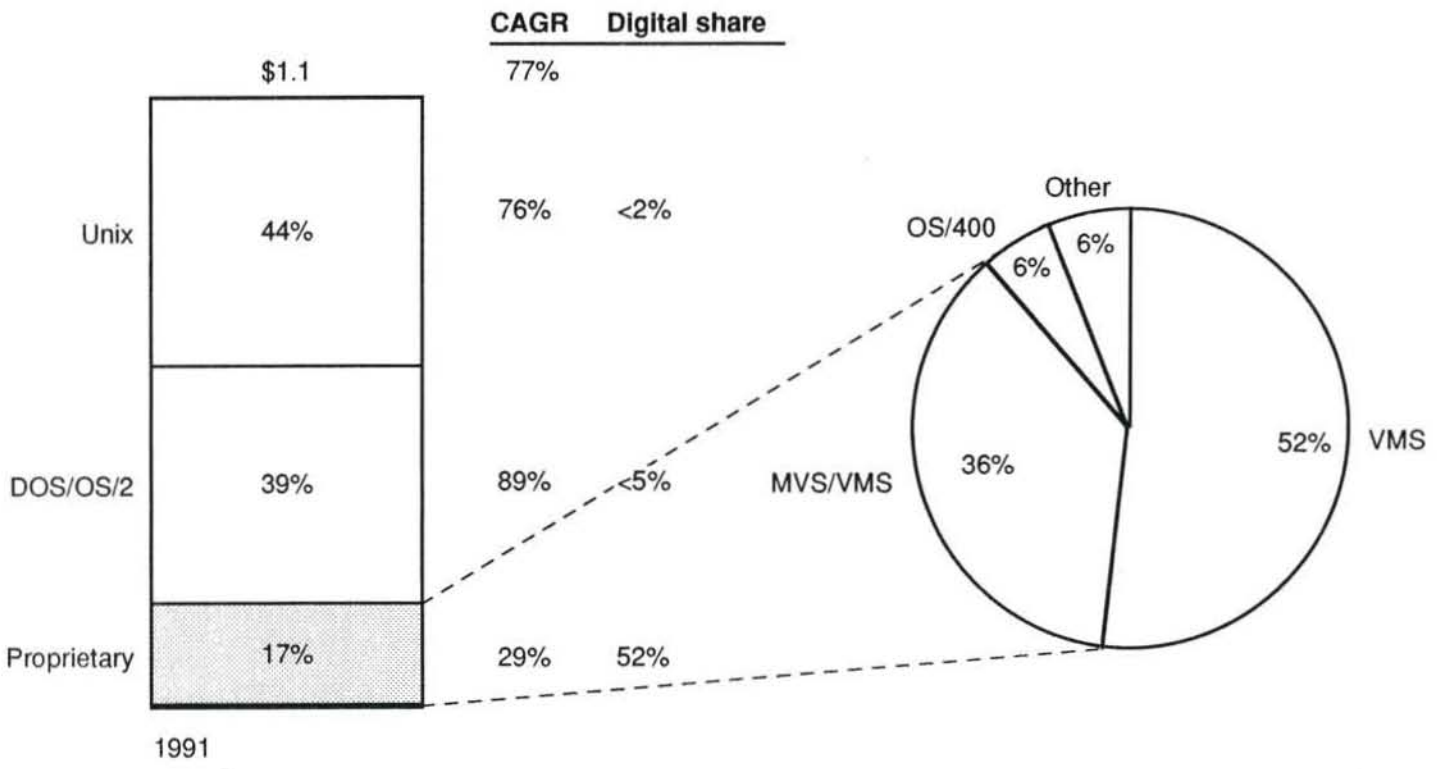
Within the server market, Digital has a large share of the proprietary OS market, but almost no share in the much larger (and faster growing) DOS and Unix segments.

SERVER MARKET
$ Billions

ESTIMATE



Source: Forrester Research; Business Research Group; team analysis

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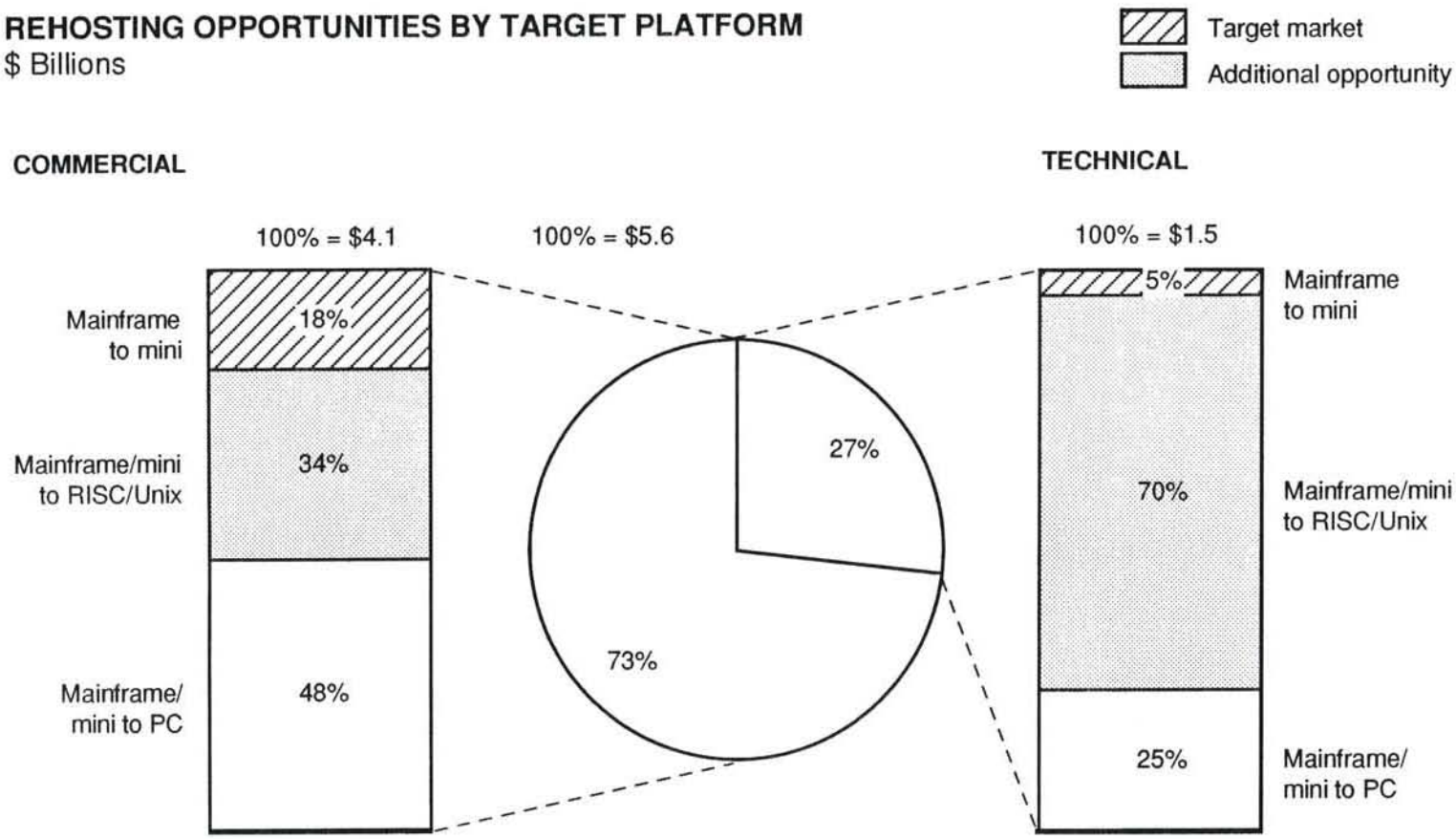
In addition to client-server opportunities, there are services-led opportunities in the rehosting market with Digital best positioned for the mainframe to mini and mainframe to RISC/Unix segments. The IBM and Unisys programs are targeted at these opportunities.

REHOSTING OPPORTUNITIES BY TARGET PLATFORM

$ Billions



Source: Input; team analysis

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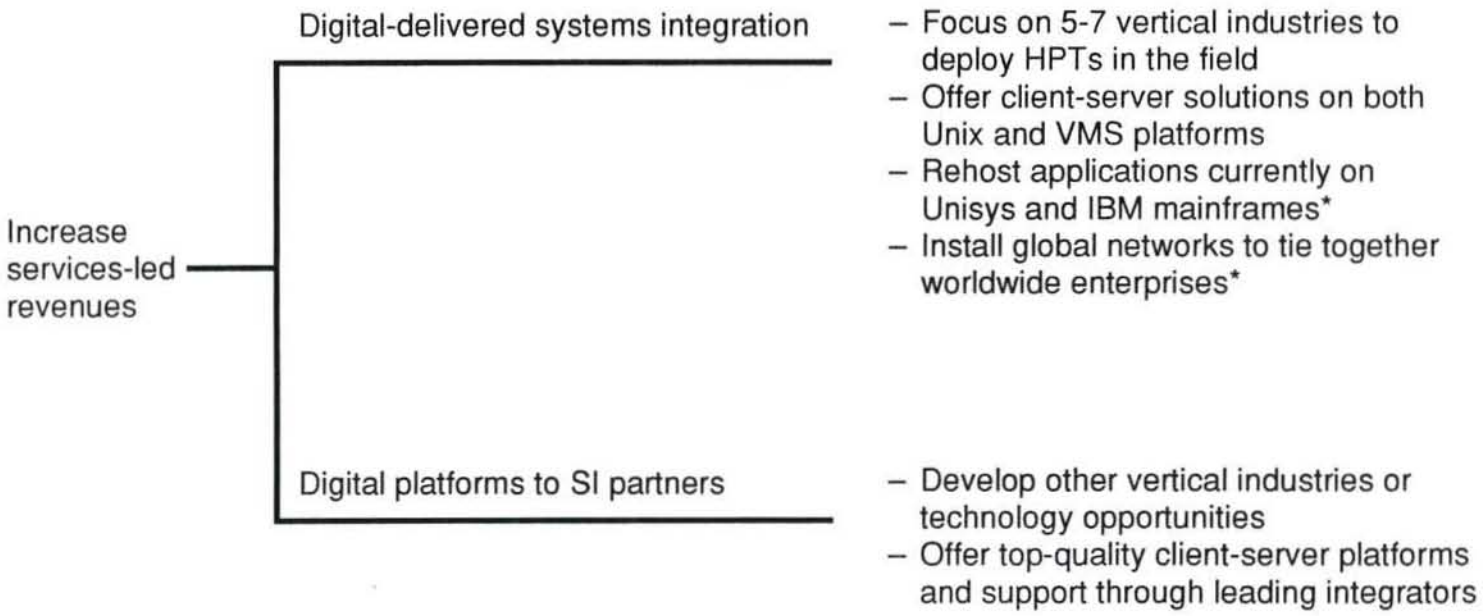
Services-Led Revenue Improvement

GIS should focus its resources to gain services-led revenue by focusing on growth areas such as client-server and downsizing as well as specific vertical industries – both through Digital's SI business as well as additional SI partners.

REVENUE-FOCUSED INITIATIVES



* Initiatives covered in GIS's base marketing plan – see Appendix 2

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Digital-Delivered SI. Competing successfully as a systems integrator requires a broad range of skills, especially in the selling and delivery of custom solutions.

SI VALUE DELIVERY SYSTEM

- Broad range of hardware and layered software
- Scalable solutions
- Tools to enable rapid prototyping
- Repeatable, semicustom software platforms
- Ability to provide full range of professional services – consulting, SI, facilities management, etc.

- Strong focus for industries to compete in
- Ability to partner with other SIs to place platforms in their industry specialties

- In-depth understanding of existing end-user I/T configuration and ability to integrate systems with existing environment
- Identify and and prequalify customer prospects to reduce selling cost by focusing primarily on serious buyers
- Ability to cost-effectively write proposals and specifications to secure business and clearly set expectations between all the parties involved (e.g., customer, subcontractor)
- Accurately estimate/schedule project development cost and time to minimize liability on late delivery of systems
- Optimal pricing of hardware, software, consumables, and service mix to maximize profits over product life cycle
- Organizational structure and capability to manage long sales cycles
- Ability to bring in all appropriate resources needed to close a sale

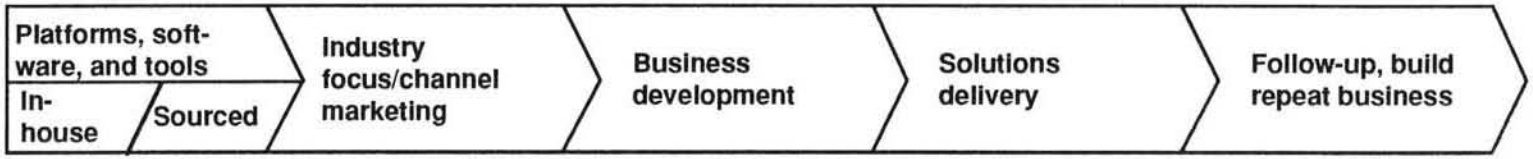
- Ability to manage joint product development of large, complex projects that involve subcontractors, third-party developers, per diems, and fixed employees
- Detailed understanding of host-based hardware and software subsystems and networking hardware/protocols for enterprisewide connectivity
- Application software development skills in client-server software development
- Ability to "stage" installation of large complex systems in-house before shipping to end user to test system functionality and minimize customer site installation support
- Field support and repair network that is skilled in both third-party and vendor-developed hardware and software subsystems
- Ability to capture knowledge and replicate it for future engagements

- Strong account management to maintain a relationship with customer for follow-on business in service upgrades and new equipment
- Maintain resources at customer site where viable
- Strong references to help expand into other areas of the client's business

B03 0220/C

Andersen is strong across all segments of the value delivery system, and as a result their economic performance represents a best practice benchmark.

ARTHUR ANDERSEN'S VALUE DELIVERY SYSTEM



In house
- Foundation CASE software
- Variety of prototyping tools

Sourced
- Partnerships with hardware vendors including IBM, DEC, and Compaq
- Partnerships with Oracle and other data base companies

- 12 vertical practices; staff specialized by industry
- Several industry/ functional software platforms (e.g., DCS Logistics)

- Partner initiates contacts
- Large part of contract is needs analysis
- Good screening mechanism to focus resources on likely wins
- Involved at top (CEO/CFO/CIO) levels of problem solving, often involved before company knows that a new IT system is needed

- Efficient pyramid structure, most work done by inexpensive coders
- Strong project management methodology
- Knowledge captured and exchanged through industry practice structure

- Partner stays engaged with client
- Often part of project includes funding for Andersen staff to remain at site for ongoing maintenance or facilities management

B03 0221.1/B

Digital's SI practice has little industry focus when compared with the competition, but is moving to improve its industry skills.

VERTICAL FOCUS OF SUCCESSFUL COMPETITORS

Digital	EDS	Andersen
– ~30 narrowly focused practices – 25% of program managers have relevant industry knowledge – Effort to hire more people out of industries – Moving toward systems integration center (SIC) model to foster better industry specialization and knowledge transfer	– 38 strategic business units; each reports to a VP with full P&L responsibility • 23 vertical industry • 11 GM dedicated • 4 horizontal (e.g., imaging) – All account managers have industry experience – Each SBU has dedicated, industry-specific, sales, marketing, and systems functions – Small corporate (nonvertical) overhead = 150 people total	– 14 practices • 12 vertical • 2 horizontal – Limited corporate overhead – Most staff is specialized by industry (although they report geographically)

Source: Digital competitive analysis; interviews

Targeting the same 5-7 vertical industries described in the applications-led segment, Digital should focus its efforts on custom solutions that address the industry's key discontinuities.

VERTICAL MARKET OPPORTUNITIES – DIGITAL-DELIVERED SI SOLUTIONS

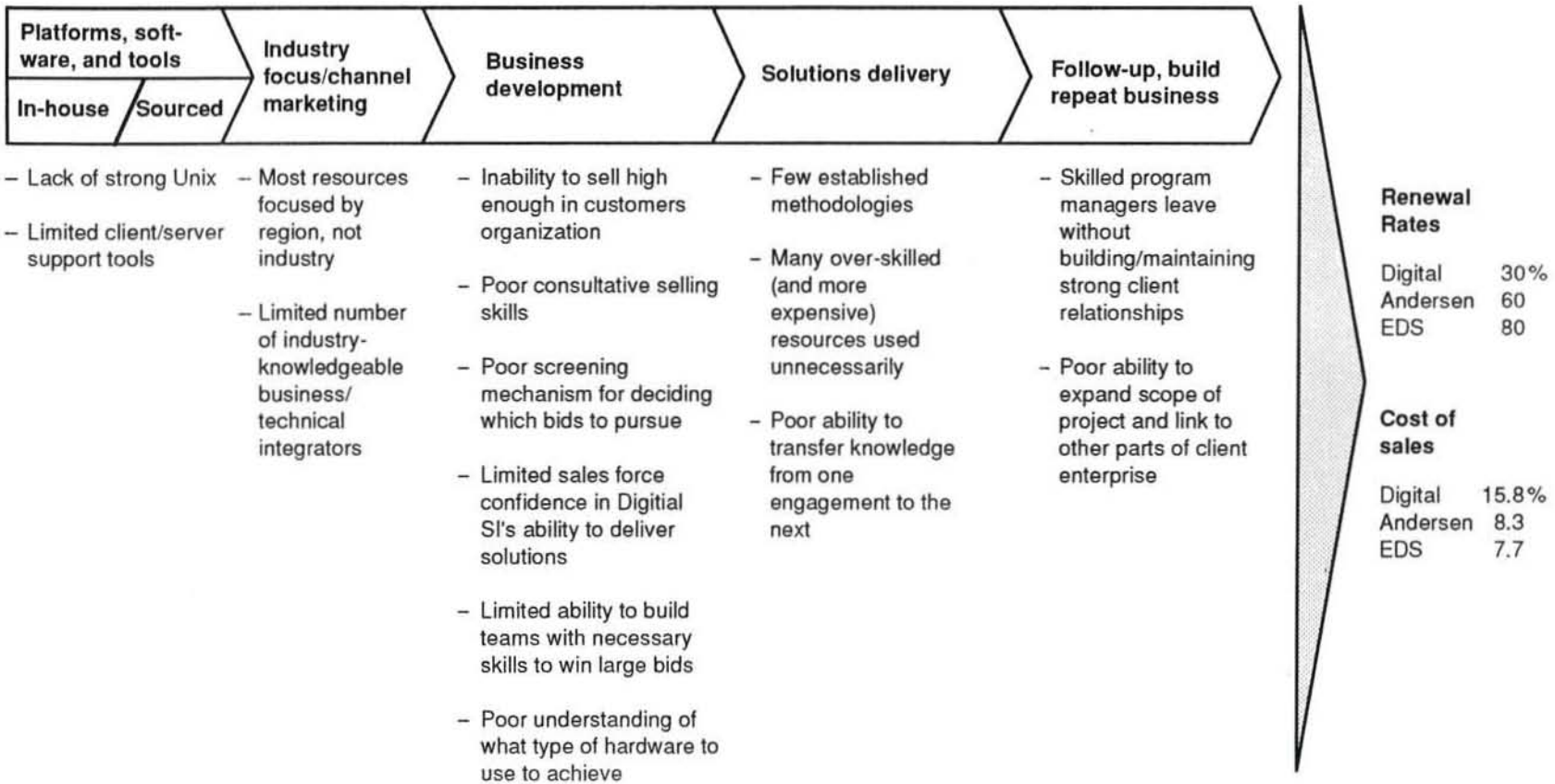
Industry	Core processes	Sources of discontinuity
Telecommunications	– New product/service commercialization – Order generation through service provisioning – Network operations – Maintenance/problem resolution	– Deregulation and competition – New product opportunities
Banking – Commercial	– Deposit generation – Funding of assets/lending – Processing of funds flow – Customer management	– Consolidation and cost-cutting – Diversification into wider financial services – Risk management across balance sheet
– Mutual fund management	– New fund development – Transaction processing – Reporting	– Dramatic mutual fund asset growth – Proliferation of funds – Traditional competitors (banks, insurance companies) weakening
– Securities processing	– Stock transfer production – Client/shareholder services – Proxy and check processing	– 3 major U.S. players – Low costs drive competitiveness

VERTICAL MARKET OPPORTUNITIES – DIGITAL-DELIVERED SI SOLUTIONS, continued

Industry	Core processes	Sources of discontinuity
Electric utilities	– Customer service/information – Network maintenance – Regulatory management	– Decreased regulation, increased competition – Cost and rate increase disallowances – Open access to transmission grids – Increasing customer sophistication – Aging core systems
Manufacturing		
– Computers	– Commercialization of technology – Order generation through fulfillment – Integrated logistics	– Customers' buying solutions, not technology – Margins on hardware decreasing as value added shifting to integrators – 2-tiered architecture
– Lighting equipment	– Product development – Manufacturing – Integrated logistics – Sales and marketing	– Supply chain integration
– Photo equipment	– Raw materials procurement – Product development – Sales and production planning – Inventory reduction and control – New product development – Investment, planning, and procedures – Planning and budgeting	– Growth of non-silver-halide imaging technologies – New global competitors (Fuji)

Digital has several gaps in its SI value delivery system which lead to lower win rates and higher costs of sales versus its competitors.

GAPS IN DIGITAL'S SI VALUE DELIVERY SYSTEM



B03 0220.1/C

GIS should lead the following initiatives to support Digital's SI efforts to help close the apparent gaps and increase the services-led revenue for GIS.

SUMMARY OF KEY INITIATIVES – DIGITAL-DELIVERED SI

Platforms*
- Fund engineering to add complex production system functionality to VMS and OSF-1

Industry focus
- Support the joint IBU and services effort to target 5-7 key vertical industries
- Support formation of SICs
- Help fund HPTs to win SI business in targeted industries

Business development
- Fund PSRCs to assist in bids with high TP content
- Fund "rapid response" system for quick bid response
- Monitor pipeline to ensure appropriate support is given where necessary
- Provide SE support to characterize key applications for targeted industries
- Train Digital sales force on SI platforms and reference cases
- Extend outreach to senior management through Polycenter and executive forums
- Develop additional bid assistance and Digital SI marketing literature

Solutions delivery
- Work with Services on reducing costs, aligning its skills set, and developing project management methodologies

Follow-up, build repeat business
- Fund SE-type resources to remain at client and assist with account control
- Create incentives to encourage sales, services, and other Digital employees to identify follow-on opportunities

* Initiatives in addition to those described in the applications-led segment

The specific actions GIS should take, along with the corresponding Digital organization are described below.

INITIATIVES TO IMPROVE DIGITAL'S SI VALUE DELIVERY SYSTEM

Gap	GIS actions	Responsibility/ dependency	Timing	Benchmarks
Platforms	– Add complex production system functionality to VMS and OSF-1; specifically • Automated storage management and back up • Limited check point/restart services • Higher performance and quality tape back up facility • VAX cluster cache	– PS marketing; software engineering	– Feasibility and project plan by end of Q1 93. Begin implementing changes late in 1993 and in first half of FY1994	– Feature and performance comparison with MVS, HP/UX, AIX, and OS 400
Industry focus	– Agree with IBUs and services on appropriate vertical markets	– CPS marketing/IBUs/Services	– Confirm with IBUs and services that telecom, health care, banking, manufacturing, utilities, and government are the appropriate industries by end of QI 93	– n/a
	– Support formation of SICs, providing resources as necessary	– PS marketing/geographies/ IBUs/Services	– Provide marketing support to pilot SICs as soon as possible	– SIC-specific marketing expenditures
	– Help fund 1 HPT per vertical industry • GIS to supply SE resources or business/technical integrators • GIS will provide marketing back up for team • GIS will ensure team has hot-line access to engineering organization	– PS marketing/systems engineering/SICs	– Win 2 additional SI contracts within each targeted vertical by FY1994	– Win rate of bids in which HPTs are used

INITIATIVES TO IMPROVE DIGITAL'S SI VALUE DELIVERY SYSTEM, continued

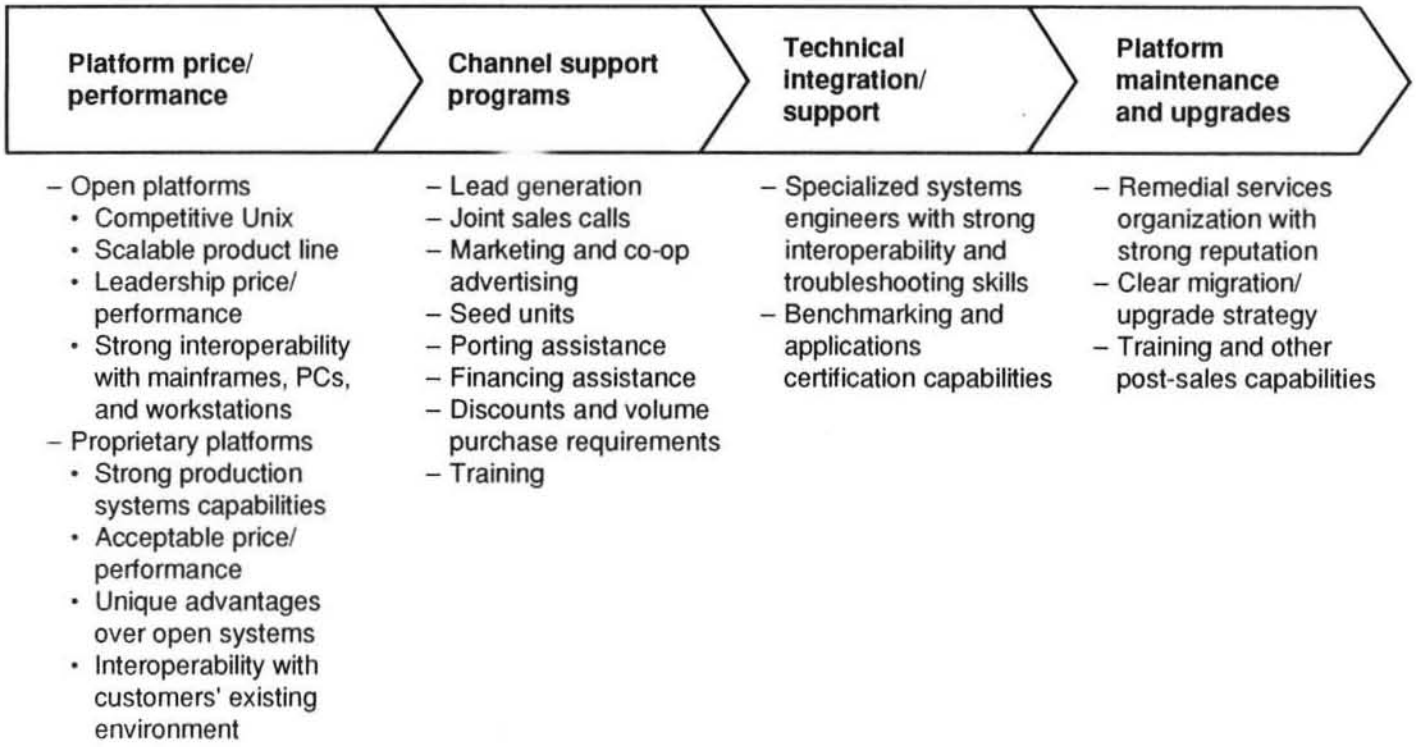
Gap	GIS actions	Responsibility/ dependency	Timing	Benchmarks
Business development	– Fund PSRCs in U.S. to pursue activities with large content; integrate with SICs if appropriate	– Production systems marketing/geographies	– Double PSRC resources ASAP	– PSRC utilization, PSRC-assisted project wins
	– Fund "rapid response" system for quick quotes/bid estimates	– All GIS departments/ Services/geographies	– Survey field as to needs by end of Q1 93 – Trial system by end Q2 93 – Full roll out by start of Q4 93	– Number of requests responded to; Average time to respond – Win rate of assisted bids
	– Monitor pipeline to assist bids as necessary • Provide support to teams as necessary • Support services NOT bidding on certain projects	– Production systems/Services – All GIS departments	– Put pipeline monitoring operation in place ASAP, assign appropriate staff to determine what resources GIS will provide to each project	– Number of bids assisted – Win rate of assisted bids
	– Provide SE support for characterization of industry applications	– PS marketing works with IBUs and SICs to identify applications	– Identify 3-5 leading applications within each targeted IBU by end of Q2-93	– Number of applications characterized
		– Systems engineering does characterizations	– Applications characterized by end of Q3-93	
	– Use Polycenter and executive forums as initiative to meet senior management at customer sites	– Polycenter management	– Forums are on-going. Determine if a greater push with the sales force is needed	– Executive forums/Polycenter briefings given to senior management at on-base vs. off-base companies
	– Marketing literature on "Digital SI successes" • Use reference cases from above	– GIS marketing/Services	– Begin literature production ASAP	– Requests for additional copies, survey card responses
	• Prepare bid 'templates' for key repeatable solutions	– GIS marketing/Services/BUs	– Produce first templates by end of Q1-93, with 10 templates ready by end of Q2	– Number of templates completed – Field acceptance of templates as useful

INITIATIVES TO IMPROVE DIGITAL'S SI VALUE DELIVERY SYSTEM, continued

Gap	GIS actions	Responsibility/ dependency	Timing	Benchmarks
Solutions delivery	– Assist services in identifying deficiencies in its ability to deliver custom production systems in a cost effective manner	– Services	– Identify needed cost reductions, skill set changes, and methodologies by end of Q293	– Average billing rate – Skill mix – Project profitability
Follow-up, build repeat business	– Fund SE type resources to work with client after project completion	– Production systems/Services	– Pilot program in 10 targeted accounts by end of Q1, add 20 accounts in Q3, and final 20 in Q4	– Increase in revenue and profitability from accounts with SE on site
	– Create incentives based on repeat business, e.g., commission services people for identifying opportunities; expand bonuses based on winning new business within existing accounts	– Production systems/Services/ geographies	– Begin incentive program with pilot program roll-out	– Sales generated by incentive program above base account plan NOR and profitability

Digital Platforms to SI Partners. Where Digital provides platforms to SI partners, GIS faces a different set of challenges than those to be a successful SI delivering business solutions. Specifically, the ability to provide top-quality platforms with excellent technical support, backed up by extensive channel support, becomes super-critical.

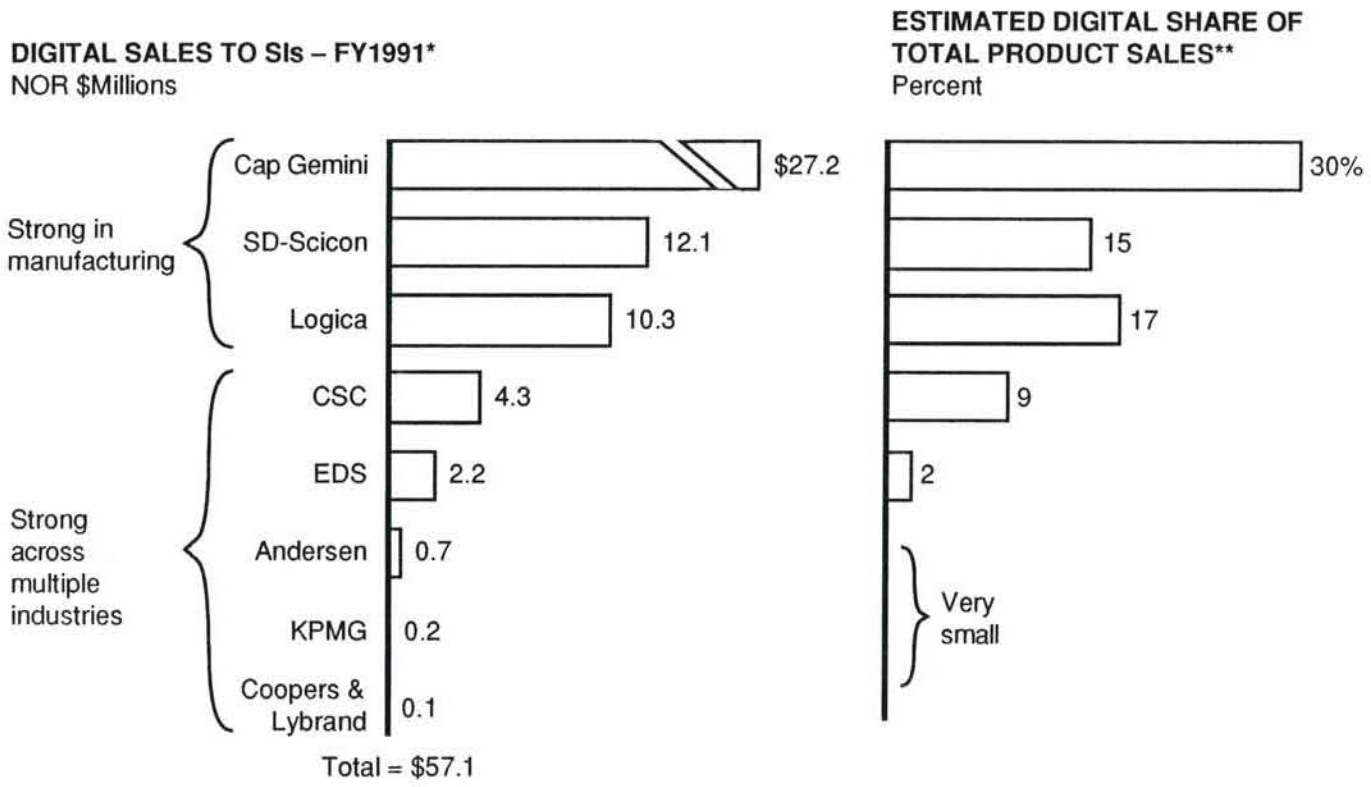
PLATFORM PROVIDER TO SIs
VALUE DELIVERY SYSTEM



B03 0225/C

Currently Digital has a reasonable share of European SI partner sales, but is weaker among the U.S. firms that tend to do SI projects in more diverse commercial industry applications.

DIGITAL'S PLATFORM SALES TO SIs



* Europe and U.S. only
** Using conservative estimates for each SI's product sales

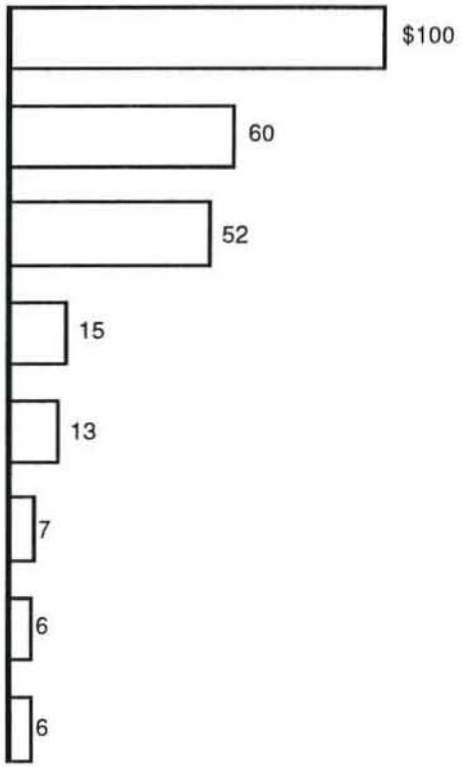
Source: Annual reports; company data; team analysis

B03 0210/E

Within the rapidly growing service-lead client-server markets, there are a number of prospective partners for GIS that could generate substantial platform revenue opportunities.

TOP PLAYERS IN CLIENT-SERVER INTEGRATION – 1991
PROFESSIONAL SERVICES REVENUE

$ Millions



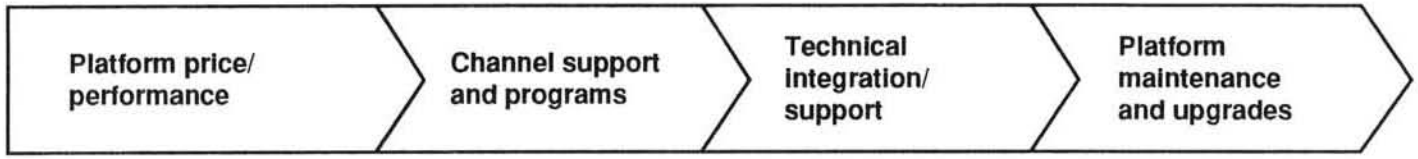
Top players		Estimated pull through hardware	Current market focus
SHL Systemhouse	$100	$400	Industry focus on telecom, government, energy, and segments of financial services
Andersen Consulting New Age Systems Group	60	240	Small group focused exclusively on client-server systems
Technology Solutions Corp.	52	208	Industry focus on consumer products, manufacturing and financial services
Price Waterhouse Open Systems Integration Group	15	60	Dedicated open SI group focused on UNIX, RDBMS, client-server, and open systems
Innovative Information	13	52	Industry focus on distribution, manufacturing, and financial services
Business Systems Group	7	28	Projects to date primarily in energy sector
Marathon Systems	6	24	Industry focus on transportation, finance, and utilities
Lante Corp.	6	24	Specializes in select RDBMS and front-end applications and related client-server consulting applications

Source: Gartner Group

B08 0543/C

Digital currently has gaps which affect its ability to successfully support SIs and sell GIS platforms through SI partners.

GAPS IN GIS'S PLATFORM PROVIDER VALUE DELIVERY SYSTEM



"Open" platforms
- Poor Unix offering
- Limited client/server support tools
- Inconsistent Unix/open systems message
- Limited OLTP and production system capabilities

Proprietary systems
- Few unique advantages outside of base
- Lack of robust production systems capabilities (e.g., Checkpoint restart)

Very limited lead generation

Little joint marketing

Little porting assistance offered

Limited ability to quickly respond to characterization needs

GIS can improve its platform sales to third-party SIs through the following three initiatives, and therefore participate more effectively in the rapidly growing client-server market.

SUMMARY OF KEY INITIATIVES – PARTNERING WITH SIs

- Platform price/performance*
  (see initiatives described above under Digital SI segment)

- Channel support programs
  - Partner with horizontal SIs in client-server, imaging, and other emerging segments
  - Consider equity investments to build/improve partner relationship
  - Provide leads in non-targeted industries
  - Improve porting funds and seed unit programs
  - Offer additional training

- Technical integration/support
  - Reassess subcontracting rates
  - Improve characterization response time and capabilities

* Initiatives in addition to those described in the applications-led segment

INITIATIVES TO INCREASE GIS PLATFORM SALES THROUGH SIs

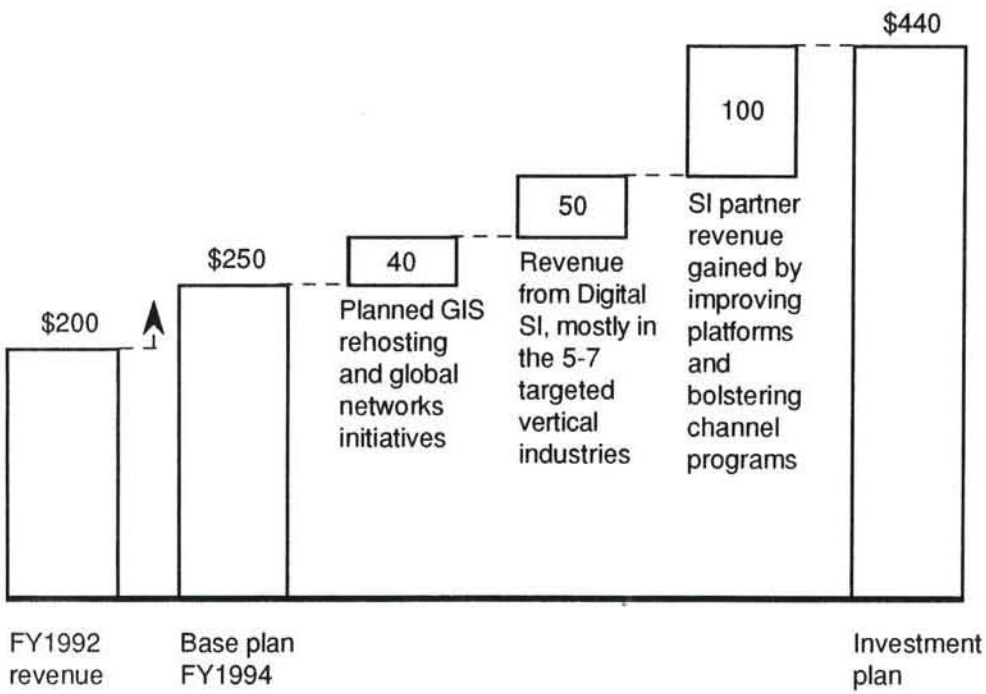
Gap	GIS actions	Responsibility/ dependency	Timing	Benchmarks
Platform price/performance	– See previous section			
Channel support programs	– Target emerging segments such as imaging and client-server	– GIS FABS and production system	– Target 5-10 potential SIs in 2-3 attractive segments by end of Q2-93	– Number of new SIs signed up (total revenue)
	– Consider equity investments if necessary	– GIS/corporate	– Begin negotiations with 2-3 SIs by end of Q2-93, close deals by end of Q3	– Equity investments vs. anticipated return
	– Provide leads to target SIs for opportunities in nonpriority industries	– GIS/geographies	– Put program in place ASAP; fully implement by end of Q2-93	– Number of leads provided; pull through hardware revenue/profits
	– Offer partners substantial training in DEC products and architectures	– Production systems/Services	– Determine training needs, and then provide on an ongoing basis	– Training hours provided
Technical integration/ support	– Reassess subcontracting rates for leading SIs	– Services	– Begin competitive analysis ASAP. Adjust rates as appropriate by end of Q2-93	– Competitive analysis of our rates vs. competitors
	– Improve characterization response time and ability to characterize applications in multi-vendor environment	– Systems engineering	– Determine needs ASAP, pilot program time; in place by end of Q3-93	– Number of applications characterized; average response time to a characterization request

Financial Implications

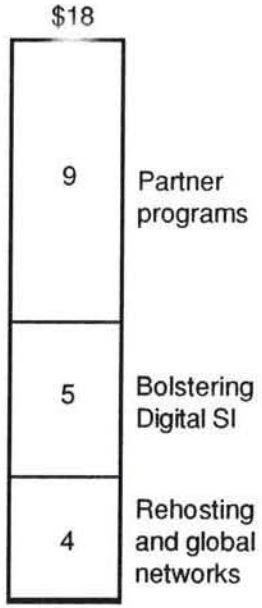
By investing in the above initiatives, GIS can double its services-led revenue, with most of the gain coming from partnering programs with third-party SIs.

REVISED FINANCIALS

SERVICES-LED REVENUE PROJECTIONS – FY1994
$ Millions



INCREMENTAL COSTS – FY1994
$ Millions



Source: Company data; team analysis

B03 0245.1/F

APPENDIX 1

MARKET OVERVIEW AND BACKGROUND

- ¶ GIS market overview
- ¶ Opportunities for GIS in the client-server and rehosting market
- ¶ Market assessment of OpenVMS and OSF-1 opportunities

GIS MARKET OVERVIEW

DIGITAL EQUIPMENT CORPORATION

June 29, 1992

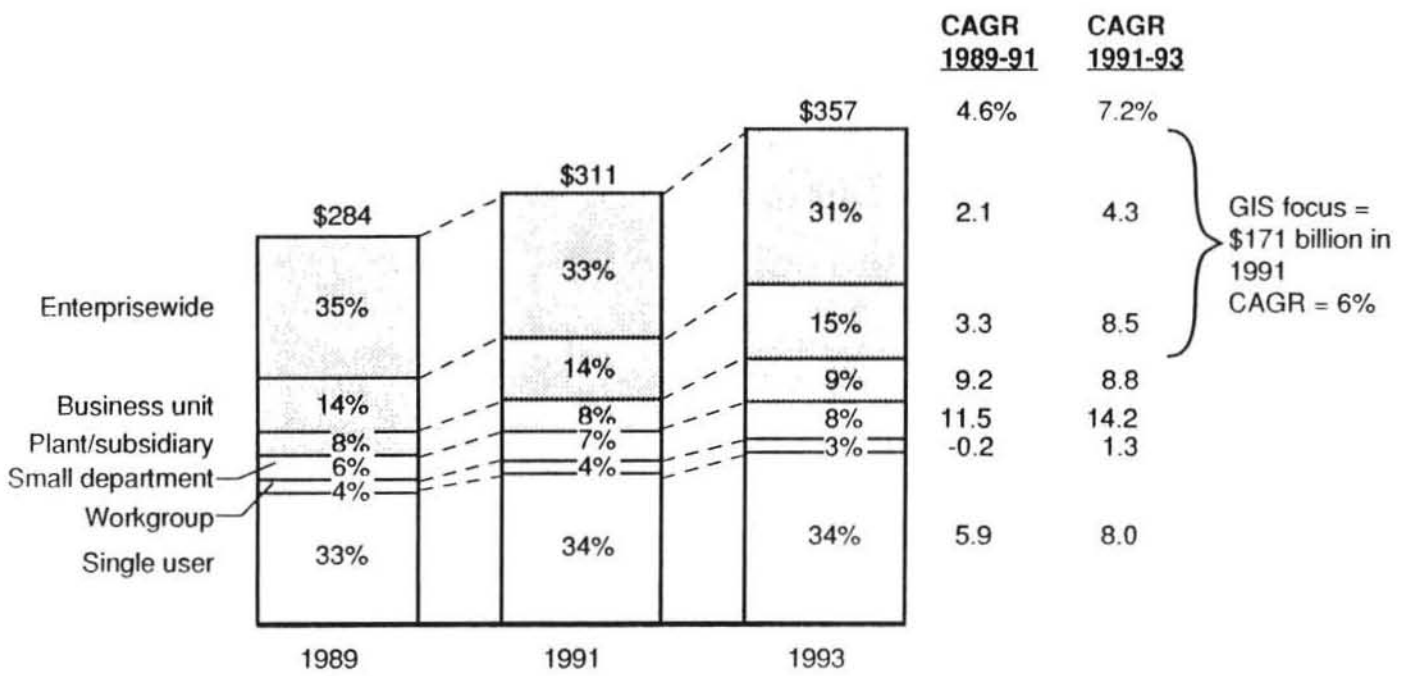
GIS CUSTOMER PROFILE BY INDUSTRY
FY1993 PLAN-OF-RECORD
($ MILLIONS)
GIS PLAN COMPOSITION BY CUSTOMER INDUSTRY

INDUSTRY	GIS PLAN 93 SALES	% OF GIS PLAN
MFG.	934	30%
TELECOM	406	13%
BANKING	314	10%
STATE/LOCAL GOVERNMENT	266	9%
HEALTHCARE	227	7%
EDUCATIONAL	199	6%
GOVERNMENT	162	5%

Exhibit 1

IT SPENDING BY SYSTEM SCOPE
$ Billions

PRELIMINARY



Source: Dataquest; IDC; McKinsey analysis

B03 0051.2/E

Exhibit 2

IT SPENDING – COMMERCIAL VS. TECHNICAL SEGMENTS, 1991

$ Billions

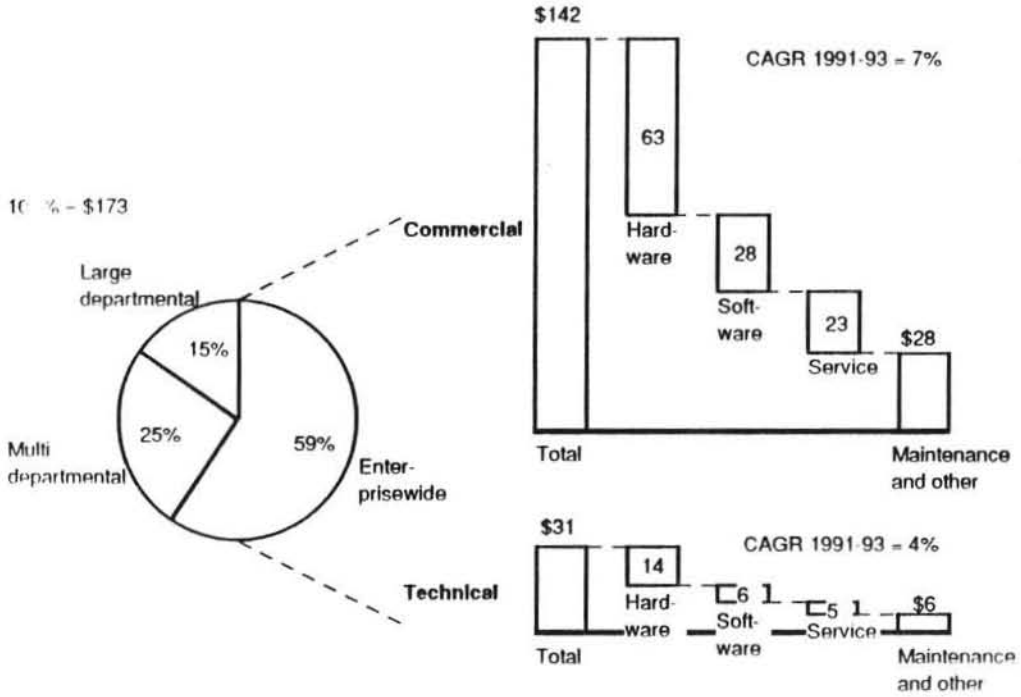


Exhibit 3

MARKET SEGMENTATION – IT MARKET

ILLUSTRATIVE

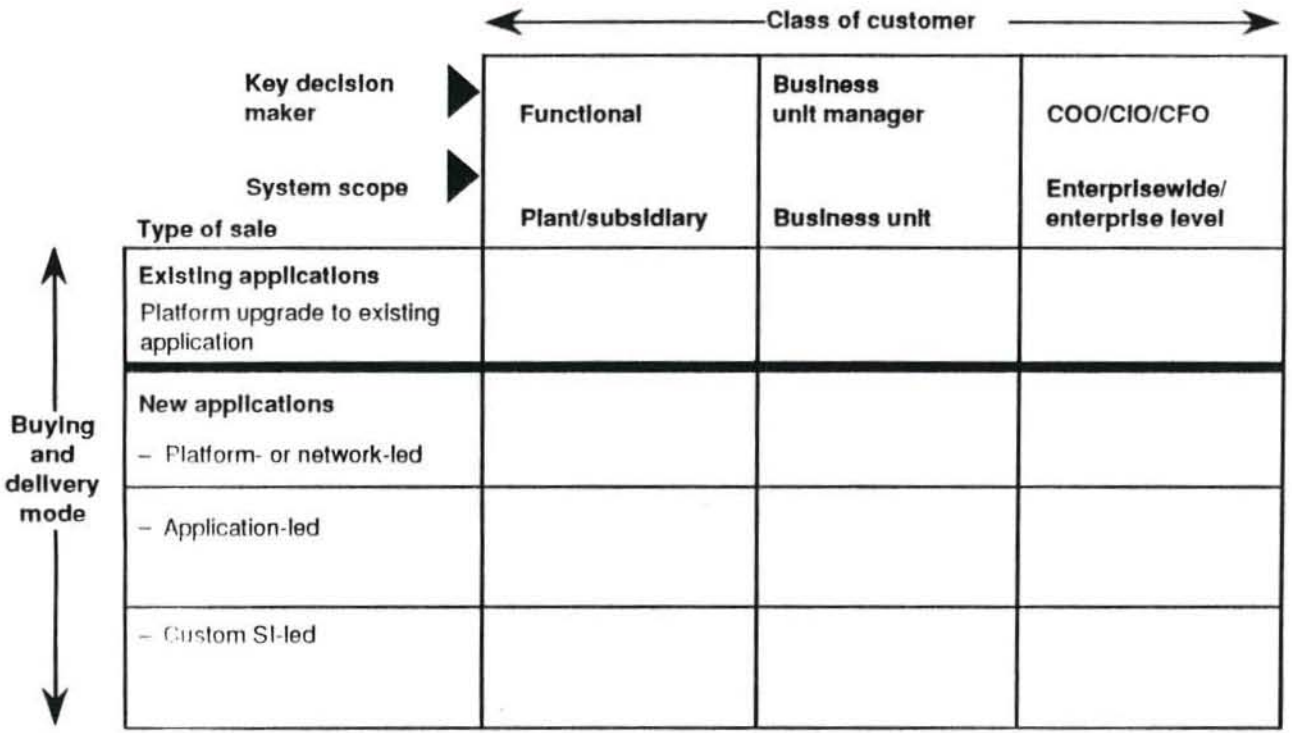


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Exhibit 4

IT MARKET SEGMENTS

$ Billions

Segment size – 1991 $ Billions / Growth rate – 1991-93 Percent

Largest or fastest growing

Class of customer

Buying and delivery mode: Type of sale	Key decision maker: Functional System scope: Plant/subsidiary		Business unit manager Business unit		COO/CIO/CFO Enterprisewide/ enterprise level		Total	
	$ Billions	Percent	$ Billions	Percent	$ Billions	Percent	$ Billions	Percent
Existing application Upgrade to existing application	$7	8%	**$16**	7%	**$43**	-1%	$66	2%
New applications – Platform- or network-led	$7	8%	$10	7%	$14	12%	$31	10%
– Application-led	$9	8%	$14	7%	**$30**	3%	$53	5%
– Custom SI-led	$3	**18%**	$5	**18%**	$15	**14%**	$23	15%
Total new applications	$19	9%	$29	9%	$59	8%	**$107**	9%
Total	$26	9%	$45	9%	$102	4%	$173	6%

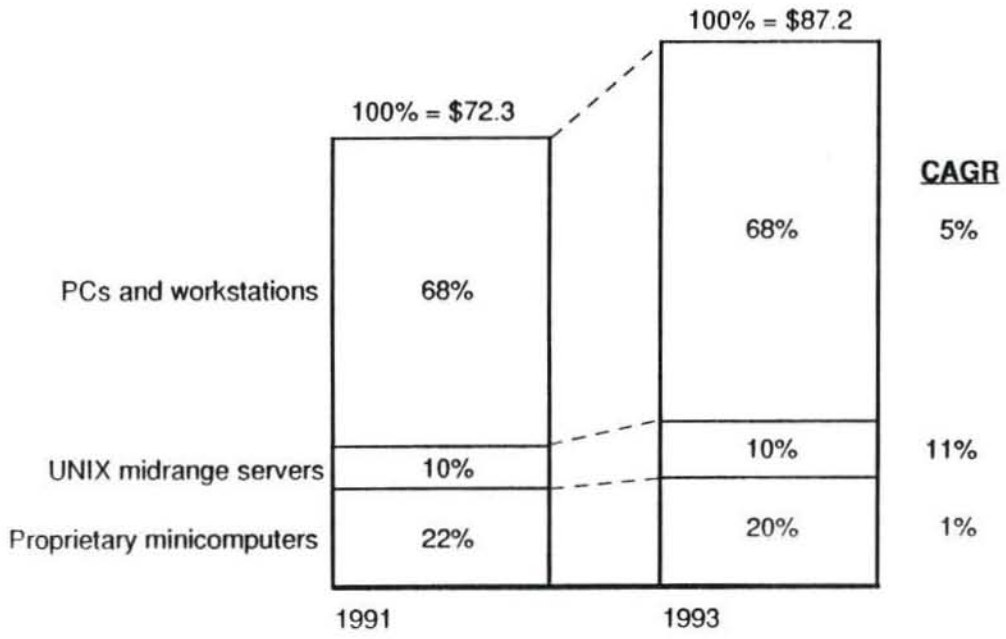
Source: IDC; Dataquest; McKinsey analysis

B03 0055.14/C

Exhibit 5

PROJECTED HARDWARE GROWTH RATES, MID-RANGE AND BELOW

$ Billions



Source: Dataquest; IDC; McKinsey analysis

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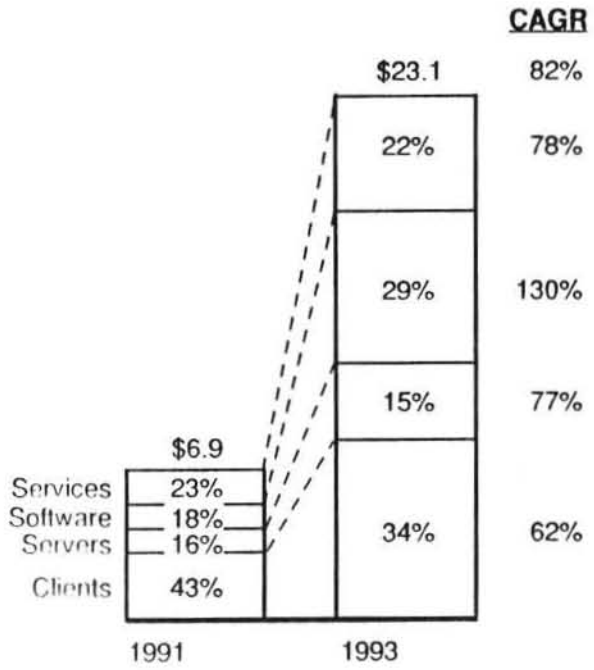
Exhibit 6

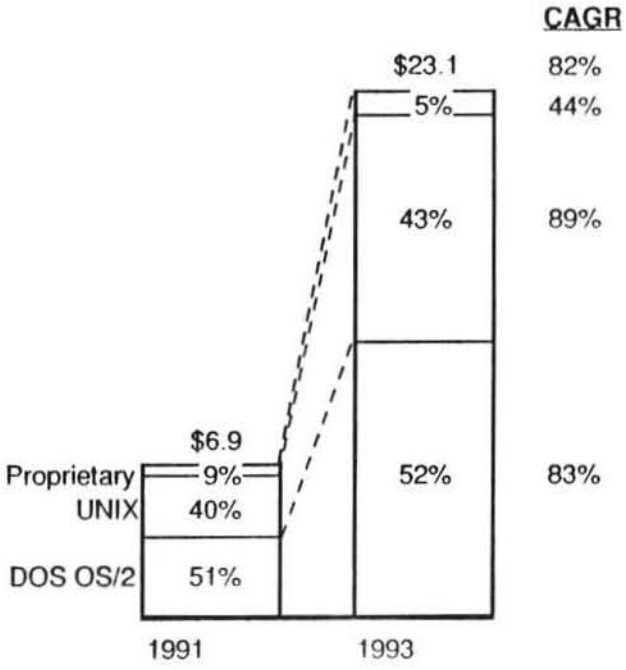
CLIENT-SERVER MARKET

$ Billions

PRODUCT SPLIT



OPERATING SYSTEM SPLIT

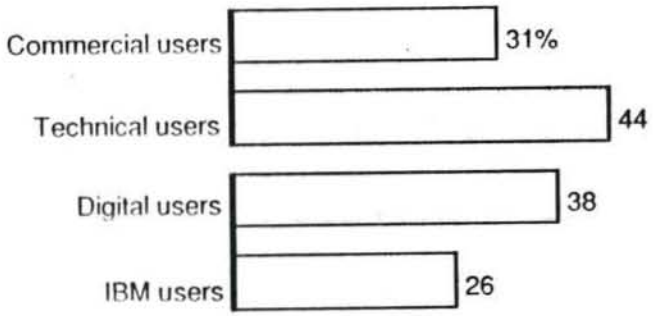


Source: Forrester Research; McKinsey analysis

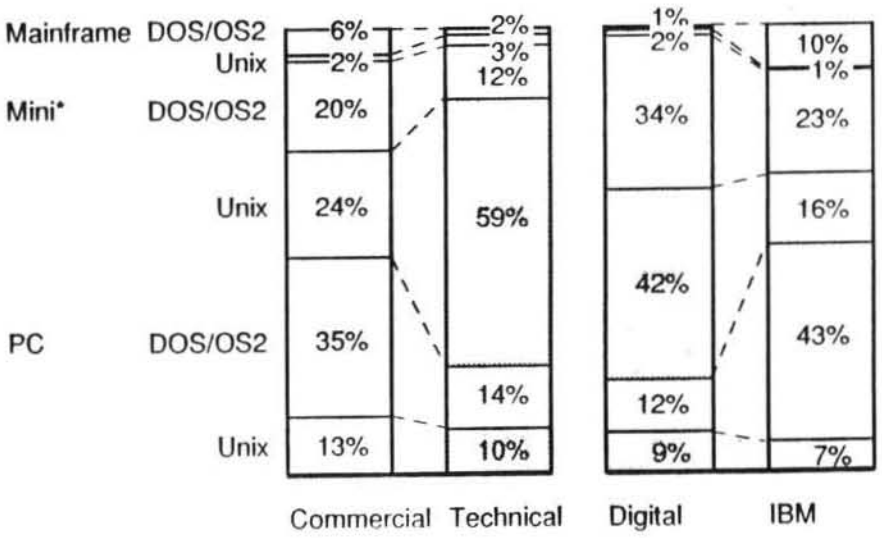
Exhibit 7

DIGITAL BASE MOVING TO UNIX SERVERS

END USERS SURVEYED WHO INDICATE POTENTIAL SWITCH TO PCs/WORKSTATIONS FROM MINICOMPUTERS
Percent



TYPE OF SERVER PLATFORMS PREFERRED BY END USERS



* Includes DISC workstations

Source: Company research; McKinsey analysis

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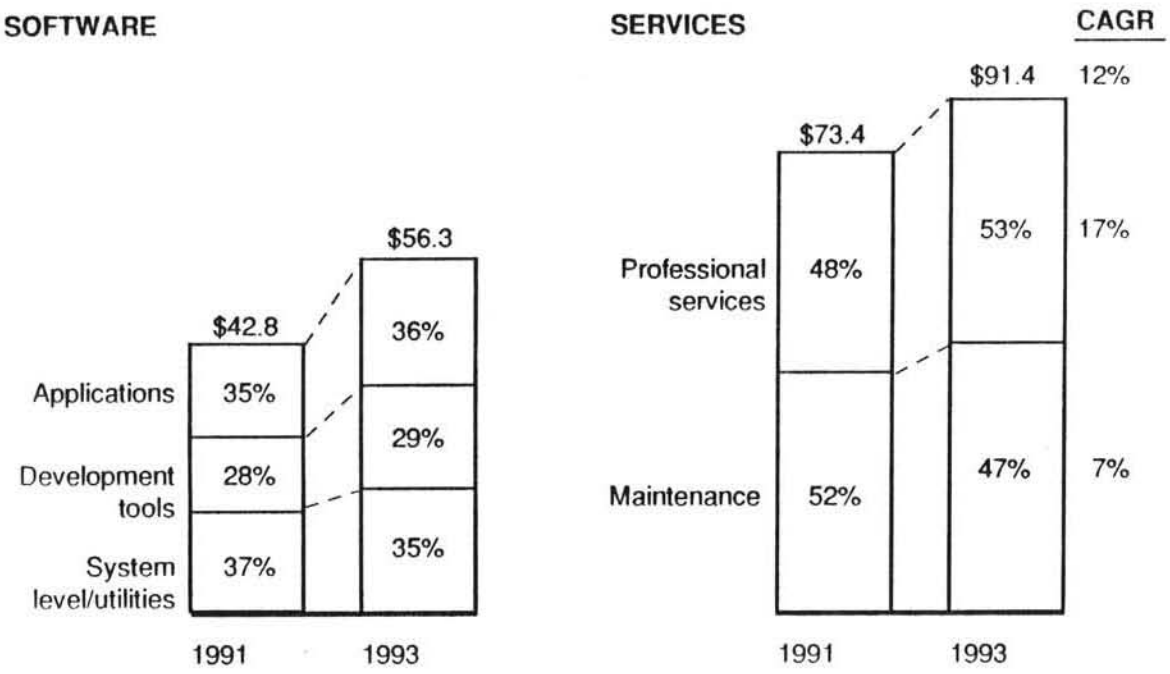
Exhibit 8
IT SPENDING
$ Billions



Source: Dataquest; IDC; McKinsey analysis

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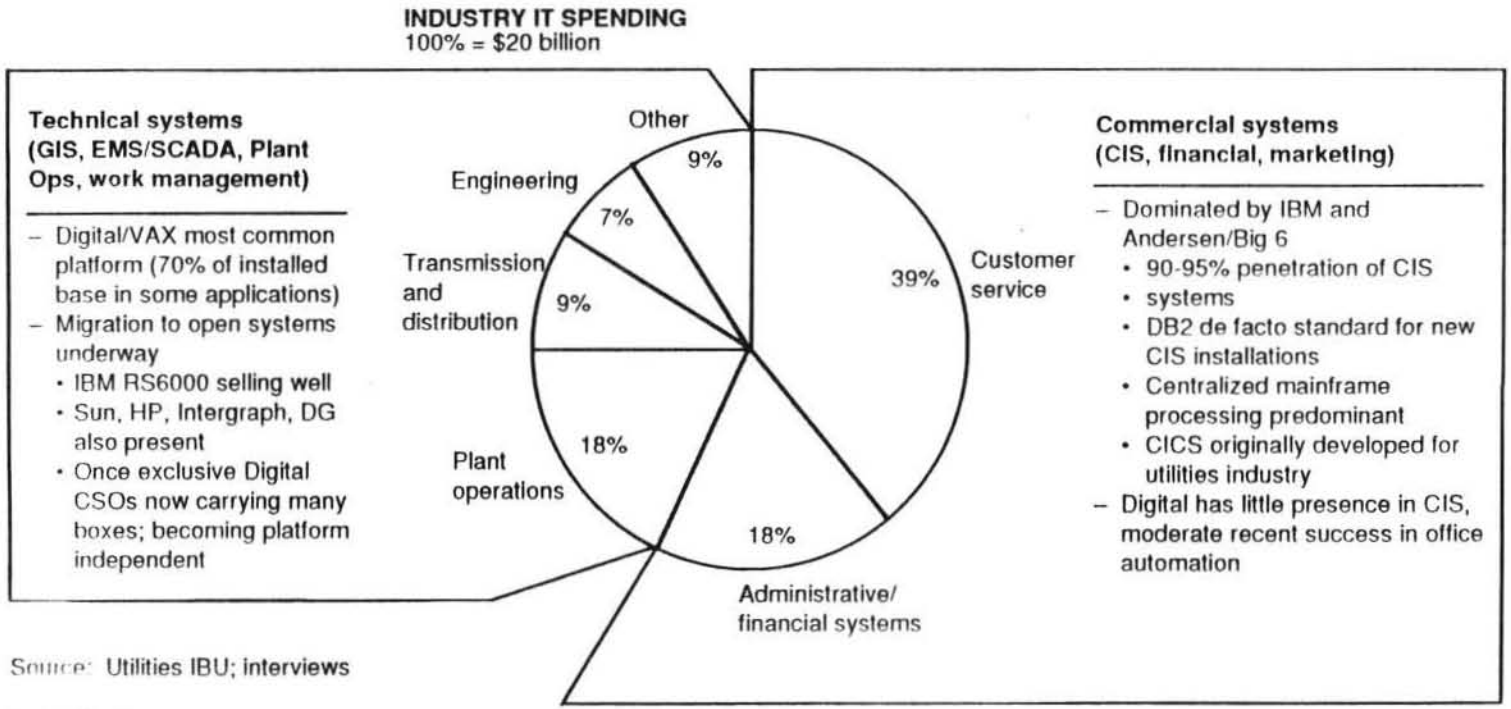
Exhibit 9

UTILITIES INDUSTRY
DIGITAL MARKET POSITION BY APPLICATION SEGMENT



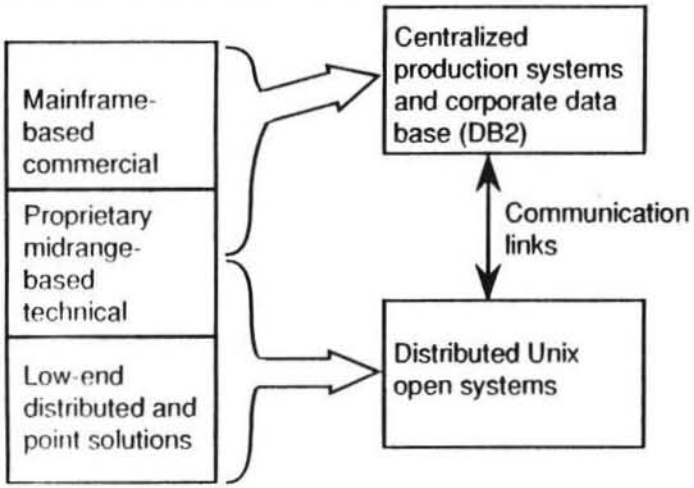
Source: Utilities IBU; interviews

B02-0075 1/E

Exhibit 10

THE MIDRANGE PRODUCTION SYSTEMS MARKET IS DISAPPEARING IN UTILITIES

Traditional | **Evolving** | **Supporting evidence**



– Recent commitment to CIS on IBM/DB2
  - Southern Cal Gas
  - Delmarva P&L
  - CU Gas & Electric
  - Portland General Electric
  - Panhandle Eastern
  - Alberta Power Ltd.
  - Puget P&L
  - British Columbia Gas
  - Union Gas Ltd.
  - Niagara Mohawk

– Houston Light & Power moving to eliminate midrange systems to reduce IT expenses

– Loyal Digital CSOs moving to supply multiple vendors' hardware (Unix boxes)
  - ABB
  - Synercom

– Recently ported technical applications to open systems
  - Southern Companies
  - Pacific Gas & Electric
  - Atlanta Gas

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Exhibit 11

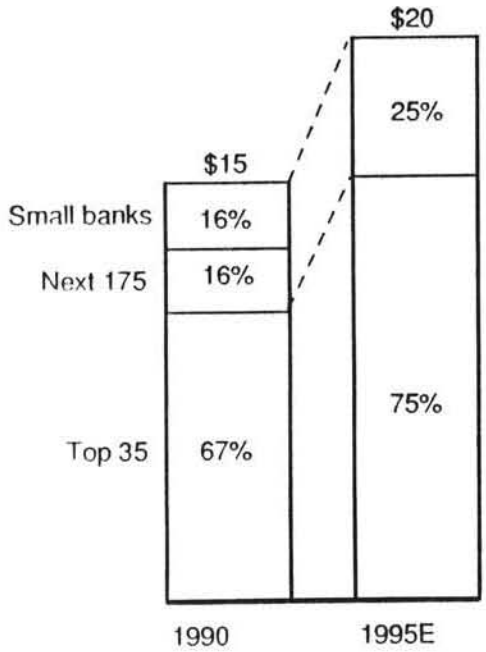
DIGITAL SHARE SMALL AT MAJOR BANKS

ESTIMATE

IBM
Digital
Amdahl
Other

U.S. COMMERCIAL BANKS SYSTEMS EXPENSE

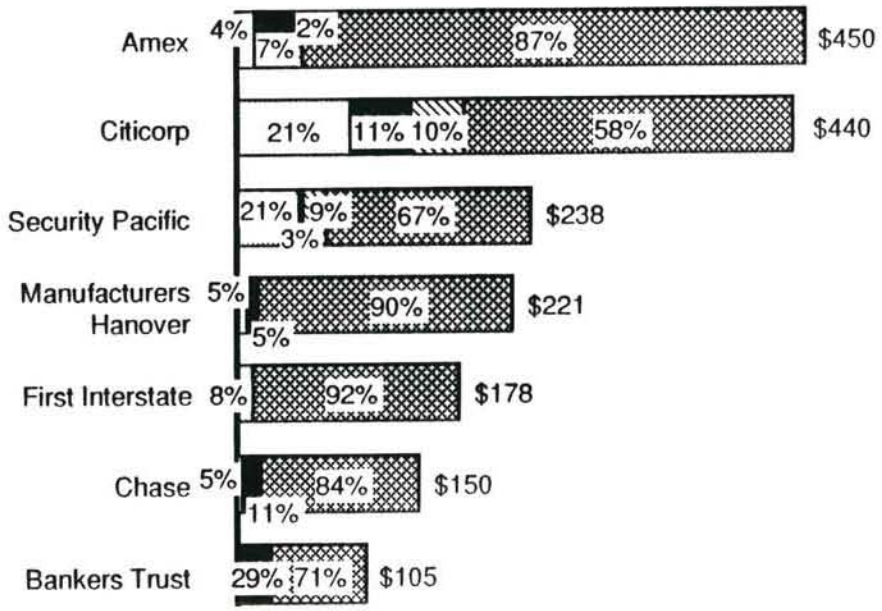
$ Billions



Source: McKinsey analysis

VENDOR SHARE OF CPU INSTALLED BASE

$ Millions



Source: ITI database

003 0123/D

Exhibit 12

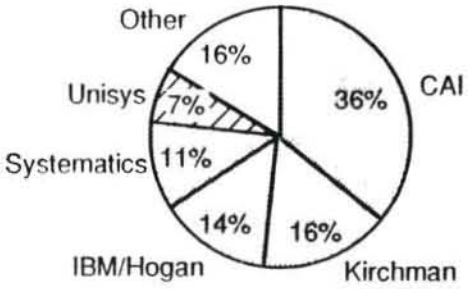
BANKING SOFTWARE – MARKET LEADERS, 1990

$ Millions

PRELIMINARY

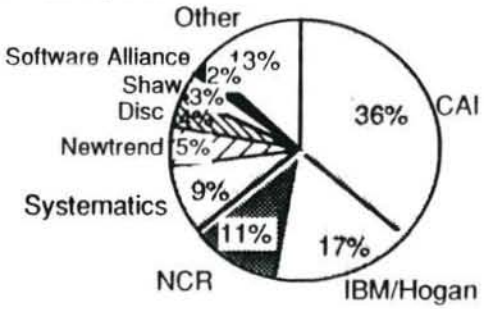
DEPOSIT/LOAN/CREDIT

100% = $670



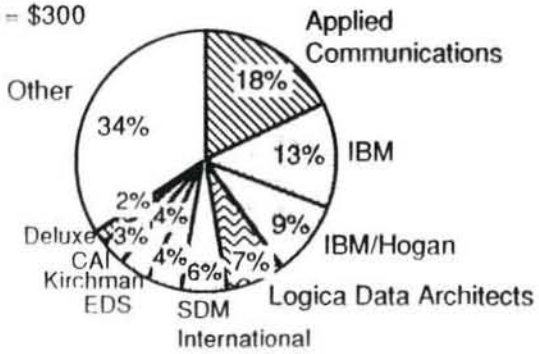
OPERATIONS PROCESSING/ ADMINISTRATIVE MANAGEMENT

100% = $250



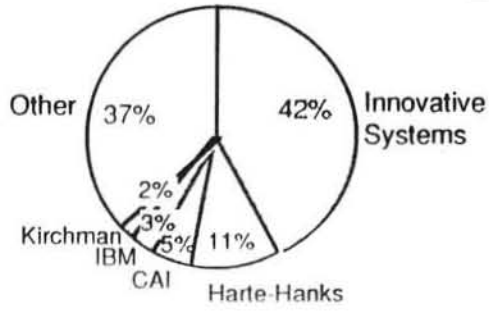
ELECTRONIC FUNDS TRANSFER

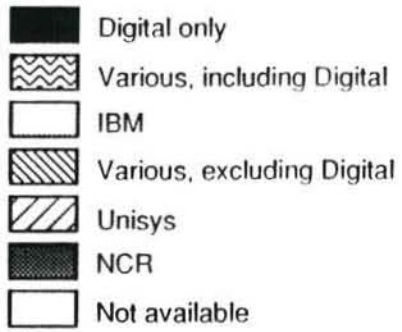
100% = $300



CUSTOMER INFORMATION MANAGEMENT

100% = $200





Source: Market intelligence

B03 0124/D

Exhibit 13

DIGITAL'S CPG/SDS CSOs

[ ] Leading CSOs*

R&D	Process manufacturing	Distribution & logistics	Sales	Marketing	Finance/ administration
– Apoloco Systems	– Allen-Bradly	– Alpha & Omega	– ACG	– Comshare	– Access Tech
– BBN Labs	– Andersen	– American Turnkey	– Brock Controls	– DEC in sight	– CODA
– Beckman	– ASK	– Calidus Systems	– Descartes/ RAM	– Draves & Barke	– Computron
– Biosym Tech	– Bailey Controls	– Computer Assoc.	– Draves & Barke	– ESRI	– Comshare
– Chemical Design, Inc.	– BBN	– Descartes	– Envoy Systems	– Glendinning	– Cyborg
– Chesapeake	– Beckman	– DAI	– IRI	– IAI	– D&B
– Fisons	– Biles & Assoc.	– GSI Transcom	– NPRI	– IRI	– IRI
– Molecular Design	– Champs	– Harni-schfeger	– Orderit	– Kenan Systems	– KPMG Peat Marwick
– PE Nelson	– Conilium	– Information Concepts, Inc.	– Sales Tech	– Pattern Recognition	– Lawson Assoc.
– Polygen	– CSI	– Kostechi Co., Inc.		– Red Brick	– People Soft
– QCPE	– Crisp	– McHugh Freeman		– SAS	– Resumix
– SAS Inst.	– Datalogix	– Performance Analog		– Tactics Int'l	– Ross
– Tripos	– Draves Barke	– PTCG		– Wilke/ Thornton	– Timeline
– Verity	– Fischer Controls	– RGTI			
– Waters Chromato-graphy	– Gensym Corp.	– Ross			
– Xybion Corp.	– Honeywell	– STSC, Inc.			
	– Intellution	– Wilke/ Thornton			
	– Mitech Corp.				
	– Modicon				
	– Numetrix				
	– Perkin Elmer				
	– Process Control				
	– QAD, Inc.				
	– Ross Systems				
	– SAS Inst.				
	– Set Point				
	– Texas Inst.				
	– VG/Fisons				

* Providers of leading industry solutions as identified by customers during interviews

Source: Company data, interviews

B03 0116/B

Exhibit 14

OPPORTUNITIES IN THE CPG INDUSTRY

CPG INDUSTRY TRENDS	IT/S opportunities	Digital advantages	Digital disadvantages
Trade promotions	– Sales and marketing decision support – Order management	– Distributed application requiring networking	– Weak position in PCs and UNIX workstations – IBM-dominated mainframe application
Integrated supply chain management	– EDI – Integrated logistics systems		– Minimal hardware required – IBM-dominated mainframe application
Product proliferation	– Process control and product costing	– Leverages strength in point solutions in manufacturing; selling into a more technical department	
Downsizing	– Client-server systems	– Strong midrange platforms	– IBM-oriented MIS department reluctant to add new architecture

Source: IBU; interviews

B03.011:D

Exhibit 16

COMPETITORS BY SEGMENT

PRELIMINARY

Digital's current market position

Class of customer

Type of sale	Key decision maker / System scope: Functional / Plant/subsidiary	Business unit manager / Business unit	COO/CFO/CIO / Enterprisewide/ enterprise level
Existing applications Platform upgrade to existing application	IBM HP	IBM HP	IBM Amdahl Hitachi Fujitsu/ICL Unisys
New applications – Platform- or network-led	Sun IBM HP	Computer Associates Oracle IBM Fujitsu/ICL/ HP Amdahl NCR	Computer Associates Oracle IBM Hitachi Fujitsu/ICL/ Amdahl
Application-led	Mentor Graphics Intergraph IBM HP Sun	ASK Fujitsu/ICL/ Pansophic Amdahl Hogan Systems HP NCS NCR IBM	Shared Medical Policy Mgmt. Systems Systematics IBM DBS Fujitsu/ICL/ Dodge Amdahl
– Custom SI-led		Andersen CBIS EDS IBM CSC Fujitsu/ICL/ SHL Amdahl	Andersen IBM EDS Fujitsu/ICL/ CSC Amdahl

Buying and delivery mode

Source: McKinsey analysis

B03 0055 15/C

Exhibit 17

MARKET SEGMENTATION – VAX 6000

PRELIMINARY

Class of customer

Buying and delivery mode / Type of sale	Key decision maker: Functional System scope: Plant/subsidiary Units	Percent	Key decision maker: Business unit manager System scope: Business unit Units	Percent	Key decision maker: COO/CFO/CIO System scope: Enterprisewide/ enterprise level Units	Percent	Total Units	Percent
Existing application Platform upgrade to existing application								66%
New applications – Platform- or network-led								16%
– Application-led								11%
– Custom SI-led								7%
Total new applications								34%
Total								100%

Source: Digital user survey

B03 0055 17/C

Exhibit 18

MARKET SEGMENTATION – VAX 9000

PRELIMINARY

Class of customer

Buying and delivery mode / Type of sale	Key decision maker: Functional System scope: Plant/subsidiary Units	Percent	Key decision maker: Business unit manager System scope: Business unit Units	Percent	Key decision maker: COO/CFO/CIO System scope: Enterprisewide/ enterprise level Units	Percent	Total Units	Percent
Existing application Platform upgrade to existing application	116	36%	132	41%	23	7%	271	84%
New applications								
– Platform- or network-led								
– Application-led								
– Custom SI-led								
Total new applications	9	3%	37	12%	4	1%	50	16%
Total	125	39%	169	53%	27	8%	321	100%

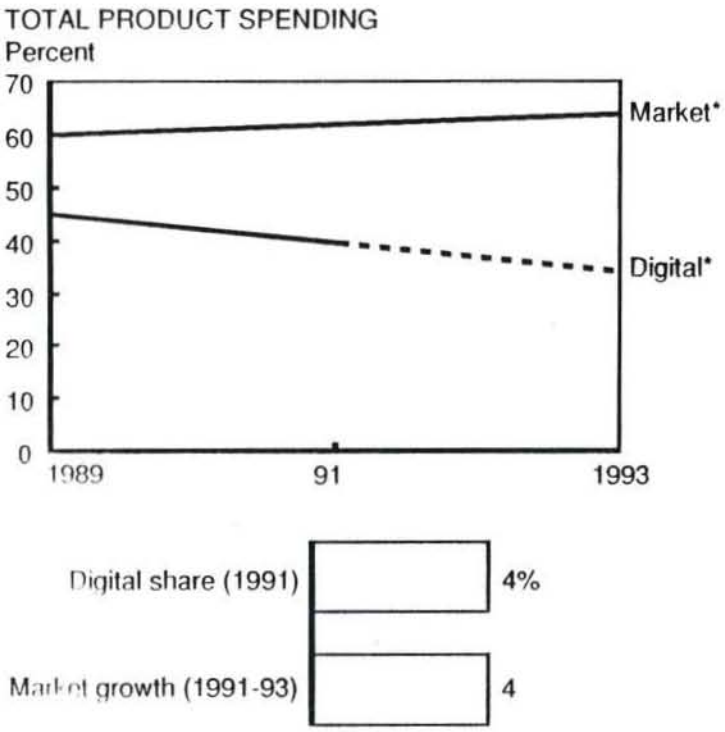
Source VAX 9000 data base

B03 0055 18/C

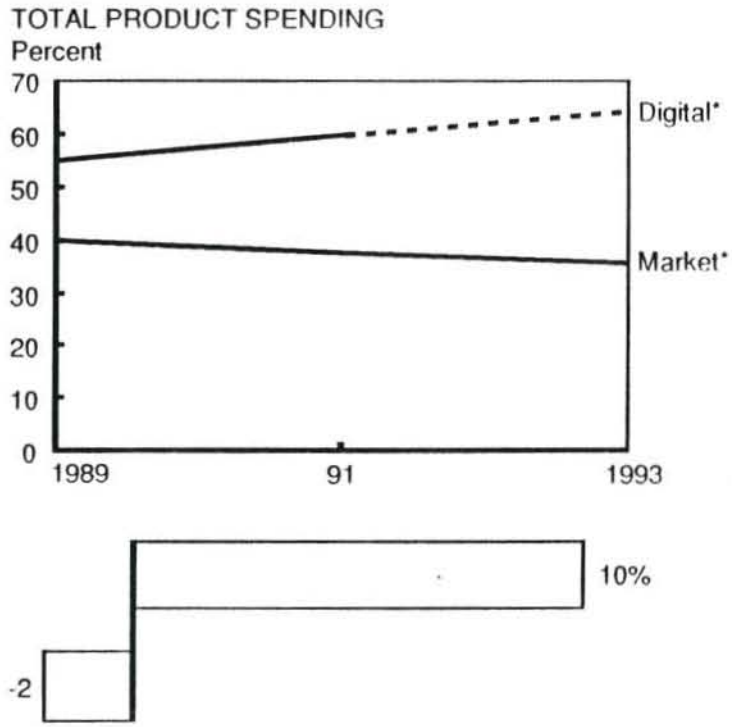
Exhibit 19

GIS PARTICIPATION IN KEY SEGMENTS

NEW APPLICATIONS



EXISTING APPLICATIONS



* 1993 market data is projection for industry, Digital projection extrapolated from 1989-91 trend

Source: IDC; Dataquest; company data; McKinsey analysis

B03.01:8/F

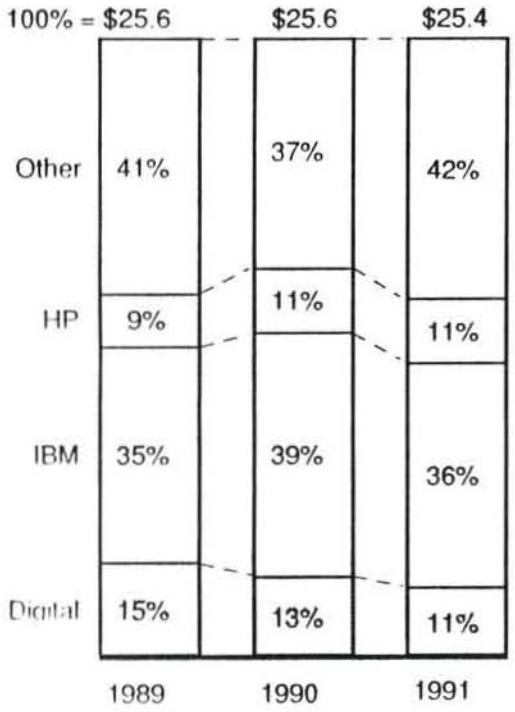
Exhibit 20

MARKET SHARES

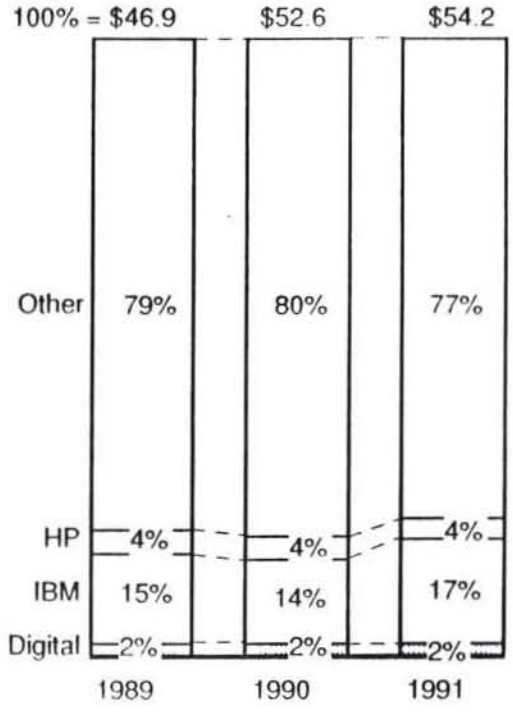
$ Billions

ESTIMATE

MIDRANGE SYSTEMS



PCs AND WORKSTATIONS

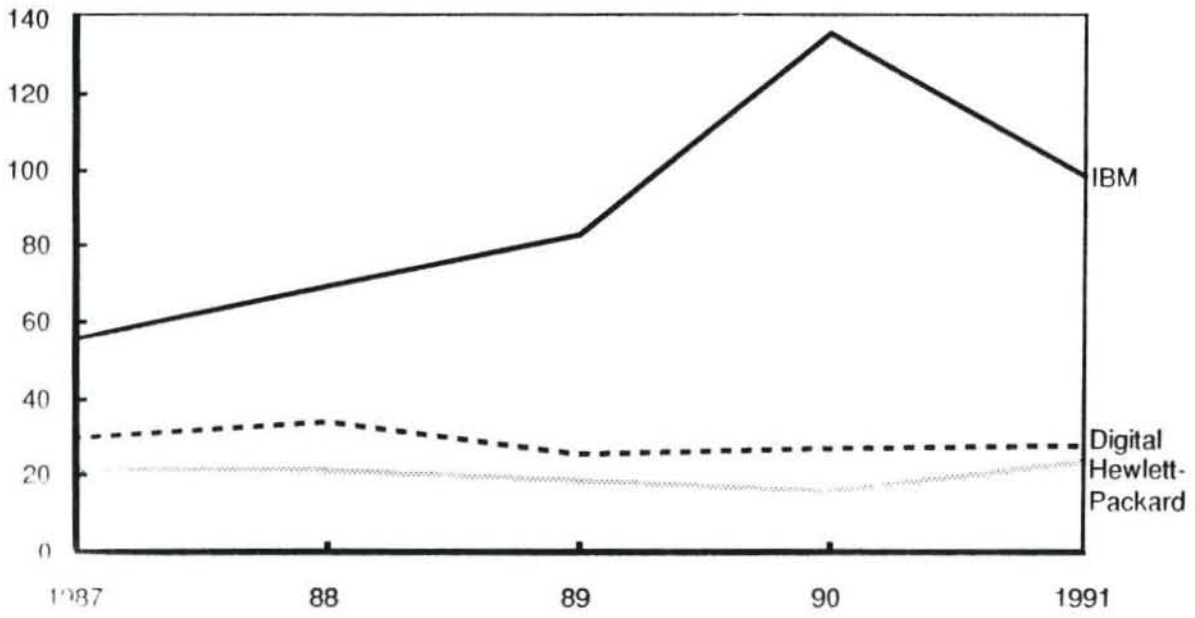


Source: Dataquest; IDC; Company data; McKinsey analysis

B03.0035.1/F

Exhibit 22

NUMBER OF NEW RESELLER AGREEMENTS FORMED BY VENDORS



Source: IDC; McKinsey analysis

003.0106.1:D

Exhibit 23

CHANNEL PRESENCE OF IBM AND DIGITAL

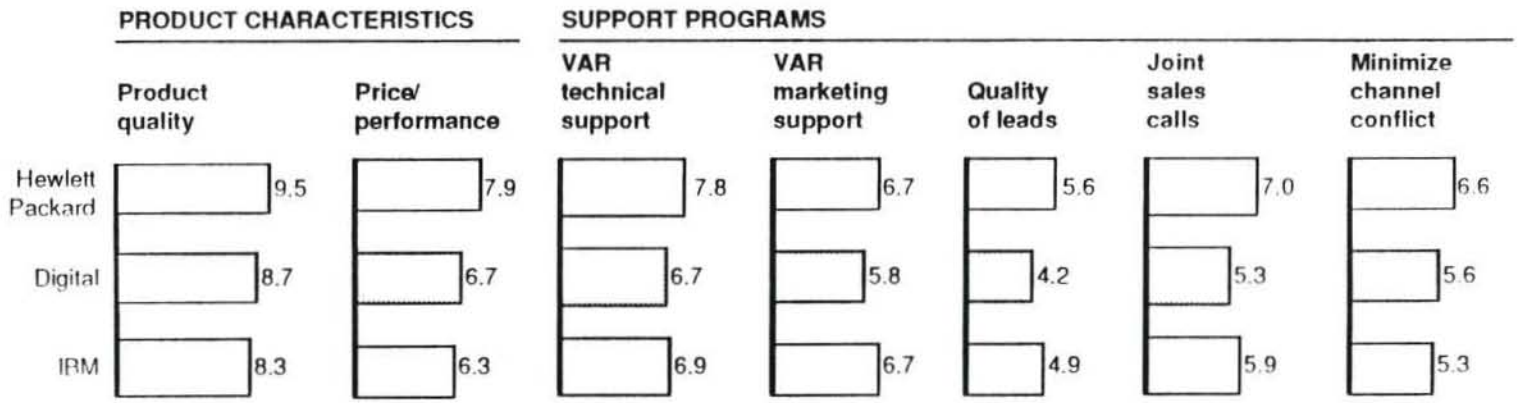
Major verticals	Combined revenue of top 5 VARs $ Millions	Revenue-weighted percentage carrying IBM	Revenue-weighted percentage carrying Digital
Medical/health care	$903	61%	75%
Banking/insurance	827	84	17
Automotive	712	70	10
Manufacturing	392	83	100
Printing/publishing	248	73	56
Government	240	28	31
Retail	126	78	22
Wholesale/distribution	112	37	13
CAD/CAM	63	52	32
Construction	48	77	0
Total	$3,671	67%	42%

Source: VARBUSINESS

B03.0119B

Exhibit 21

CHANNEL PARTNERS' RANKING OF VAR PROGRAMS*



* Ranking on 10-point scale, 10 being highest

Source: VARBUSINESS

Exhibit 24

COMPETITORS' CHANNEL INVESTMENTS

		Partner/investment	Timing	Market/technology
IBM	**Vertical markets**	– Hogan Systems (5%)	– September 1990	– Banking
		– Chain Store Systems	– January 1990	– Distribution
		– Policy Management Systems (20%)	– August 1989	– Insurance
		– American Management Systems (10%)	– July 1989	– Banking/telecom
	Geographic markets	– Groupe Bull (5-10%)	– January 1992	– General – France
		– Kaertner (10%)	– November 1990	– Banking – Austria
		– Systemdenste (49%)	– October 1990	– General – East Germany
		– Chiyoda Life Information Systems	– April 1990	– Insurance – Japan
	Product channels	– Wang (4%)	– September 1991	– RS/6000, AS/4000
		– RIOS Systems (50%)	– April 1990	– AS/400 – Japan
		– Comops (26%)	– December 1989	– AS/400 – Australia
		– Computer Systems Advisors (10%)	– September 1990	– AS/400 – Singapore
EDS	**Vertical markets**	– Creative Management Systems	– September 1991	– Cable industry – subscriber management systems
		– Operator Assistance Network	– July 1991	– Financial institutions – billing services
		– Systems Network, Inc.	– July 1991	– Government – systems integration
		– National Car Rental Information Services	– January 1991	– Rental car industry – processing services
		– Texas Air System One Corp.	– February 1990	– Airline industry – reservation systems
		– Apex Cellular	– December 1990	– Cellular industry – billing systems
	Geographic markets	– SD-Scicon PLC	– August 1991	– Software development – U.K.
CSC	**Vertical markets**	– Intelicom Solutions Corp.	– October 1991	– Telecom industry – software solutions
	Geographic markets	Butler Cox PLC	– May 1991	– IT/S management consulting – U.K.
		Moria Informatique	– January 1991	– Systems integration, software development – France
		Firreca	– April 1990	– Software supply
		Inforem, Limited	– November 1989	– IT/S management consulting – U.K.
		C/G-Intersys Group	– June 1989	– Consulting, SI, FM, software development – Belgium
		CSC/Index		– Consulting, business reengineering – U.S.

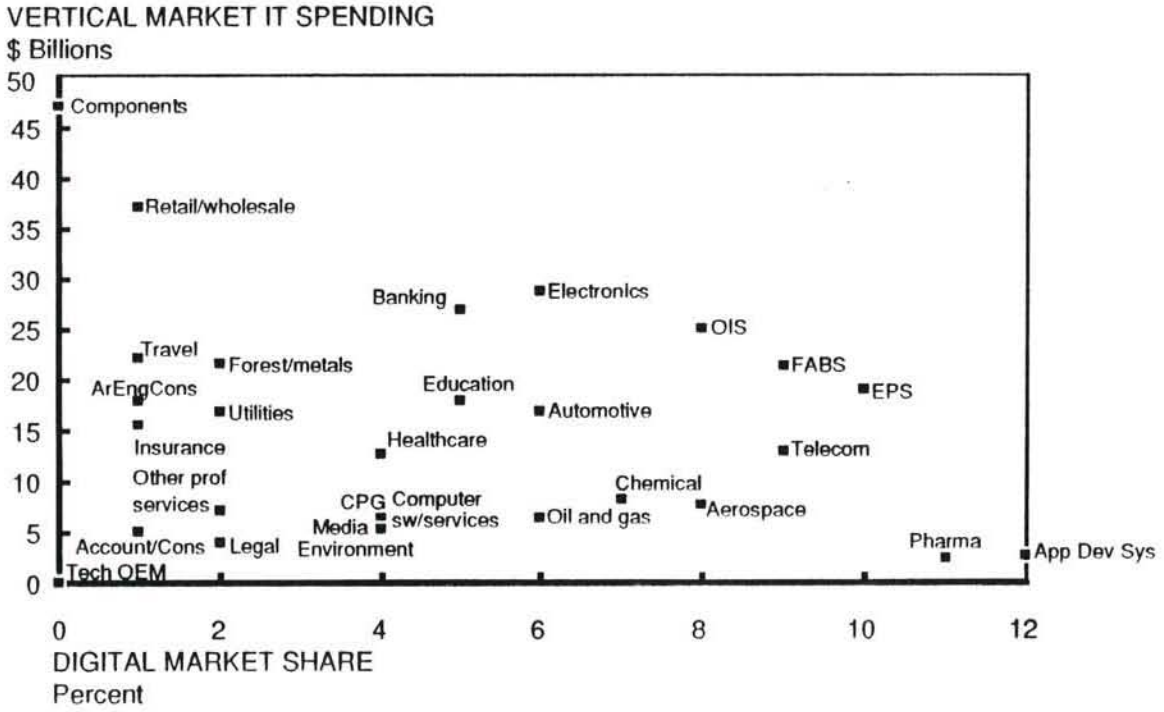
Source: IDD data base

B03 0120/E

Exhibit 25

VERTICAL MARKET SIZE VS. DIGITAL SHARE

ESTIMATE



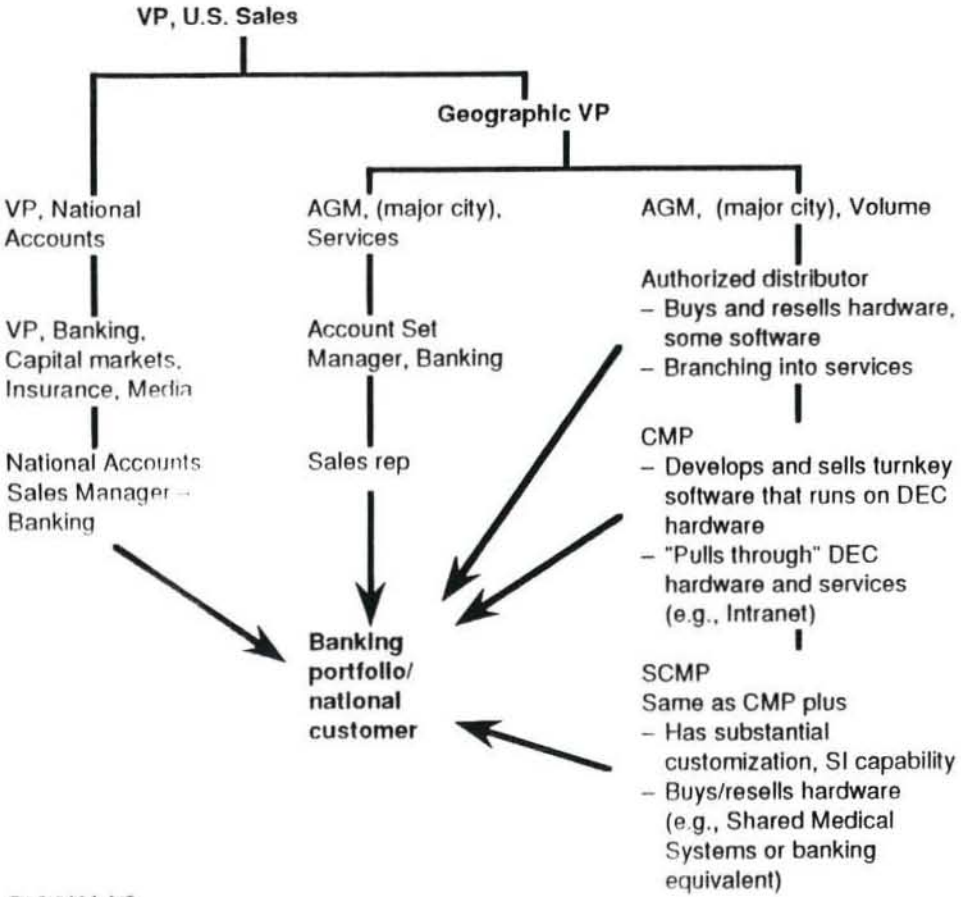
Source: IBU business plans

B03 01221D

Exhibit 26

CHANNEL CONFLICT

PRELIMINARY



B03 0101 1/C

How conflict occurs

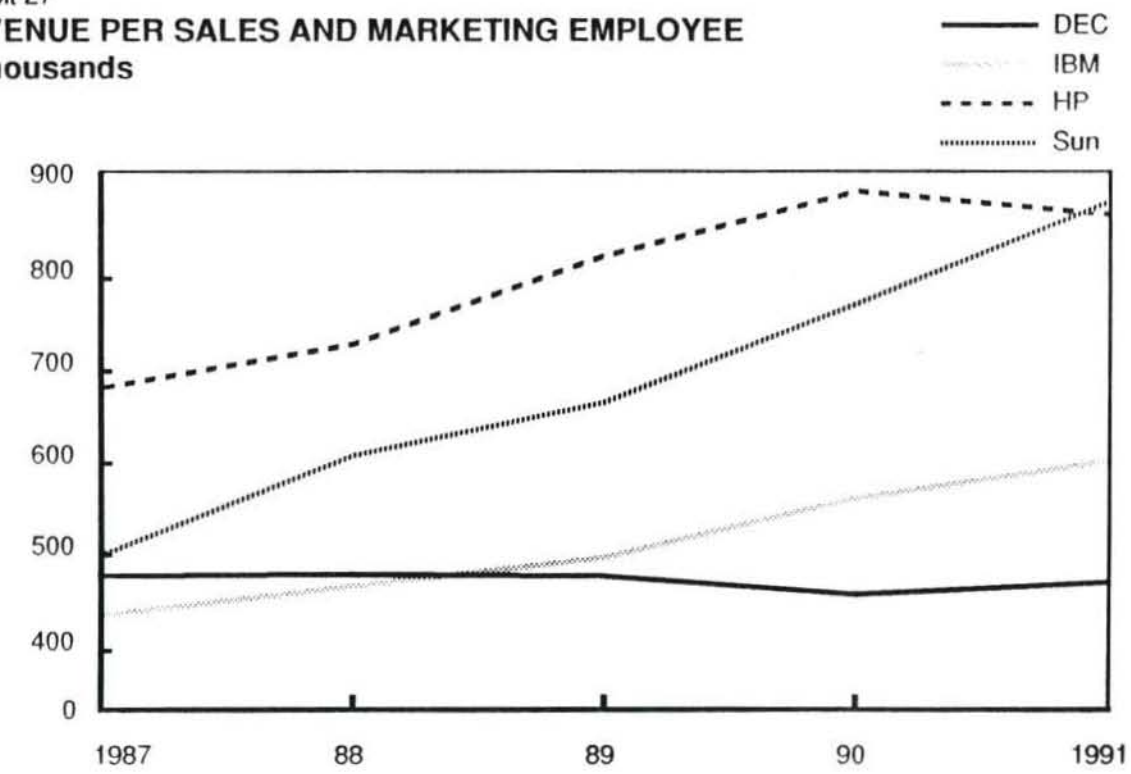
- Customer impressed with SCMP solution at trade show
- SCMP and customer work independently of DEC sales force to structure solution and terms of sale
- Customer gets nervous about local support (SCMP located in distant city) for new DEC hardware, contacts local DEC rep
- Local rep competes with SCMP for influence at account and gets leverage by withholding scarce local sales support and services resources
- After negotiations and customer confusion, deal struck to cut in local rep on deal, AGM also cut in

Why conflict occurs

- Reps incented to chase deals in progress
- Local direct, indirect sales and national sales only meet at U.S. level
- CMP, SCMP often work independently of DEC direct sales force
- NASM may have conflicting goals/poor communication with local sales reps
- Multiple indirect channels

Exhibit 27

REVENUE PER SALES AND MARKETING EMPLOYEE
$ Thousands



Source: Gartner Group; McKinsey analysis

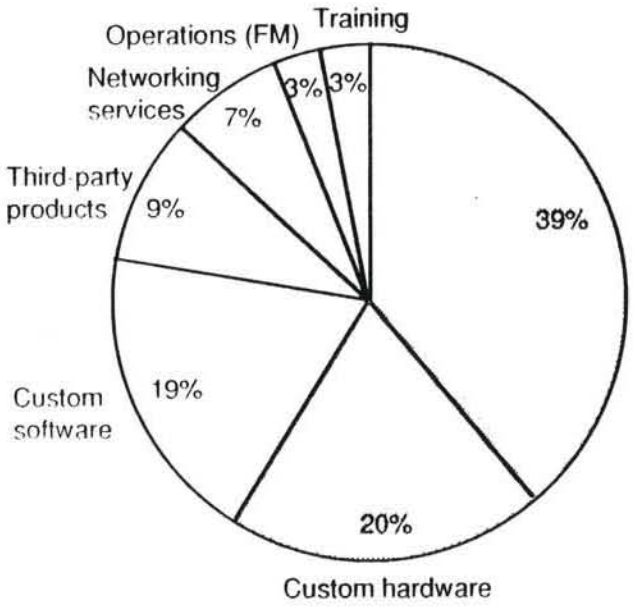
B03.0125/E

Exhibit 28

DIGITAL SI REVENUE (NOR) – FY1992 PLAN

$ Millions

100% = $2,086



Services skill set

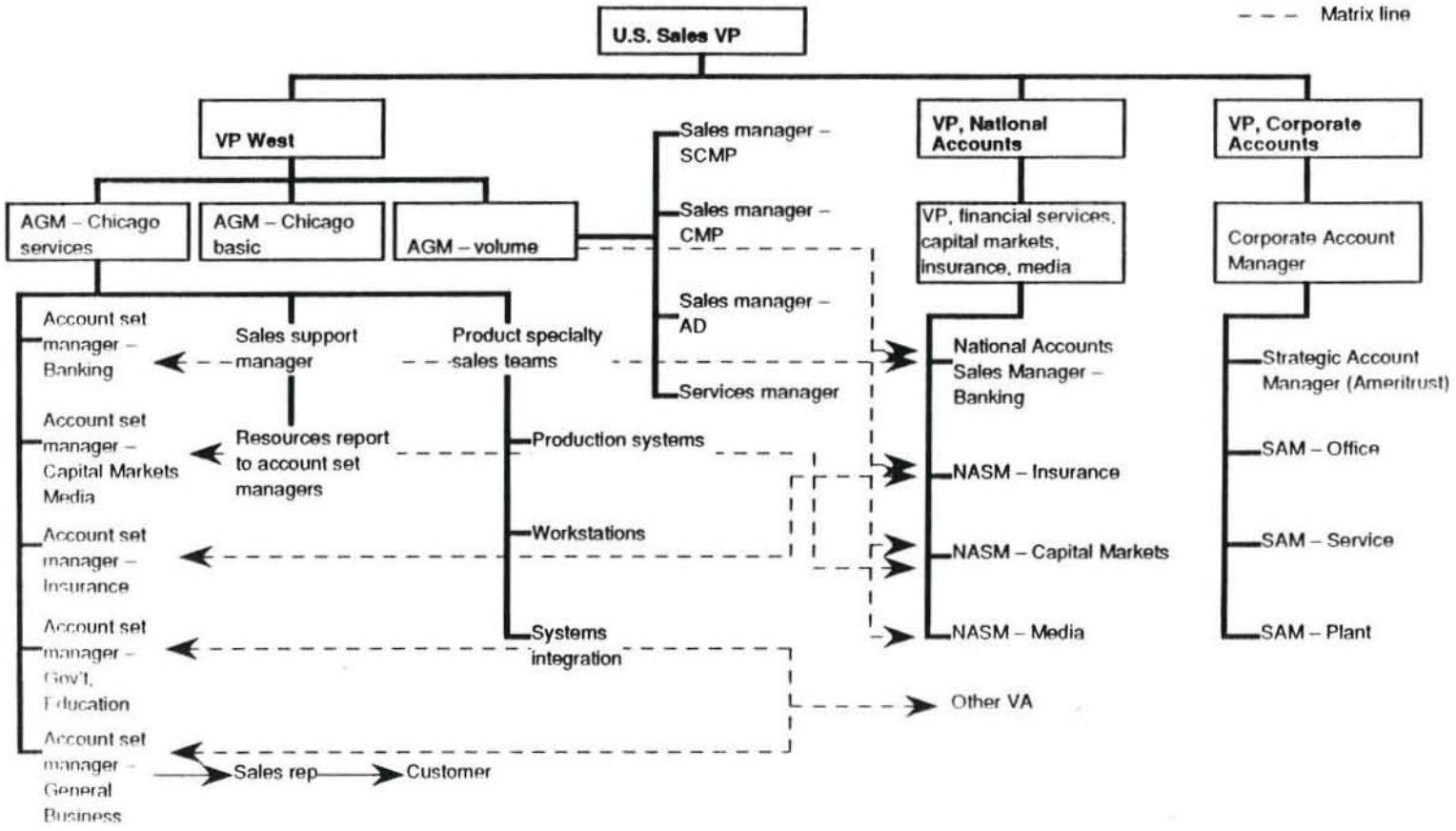
- Large remedial services organization (with multivendor maintenance skills)
- Small number of program managers
- Limited group of vertical market focused resources
- Small sales organization (~110 DS4s within 7000-person sales force)
- Emphasis on technically integrating Digital products, not providing business solutions

Source: Company data; interviews

003 0091/D

Exhibit 29

SALES FORCE STRUCTURE – PARTIAL ORGANIZATION CHART*



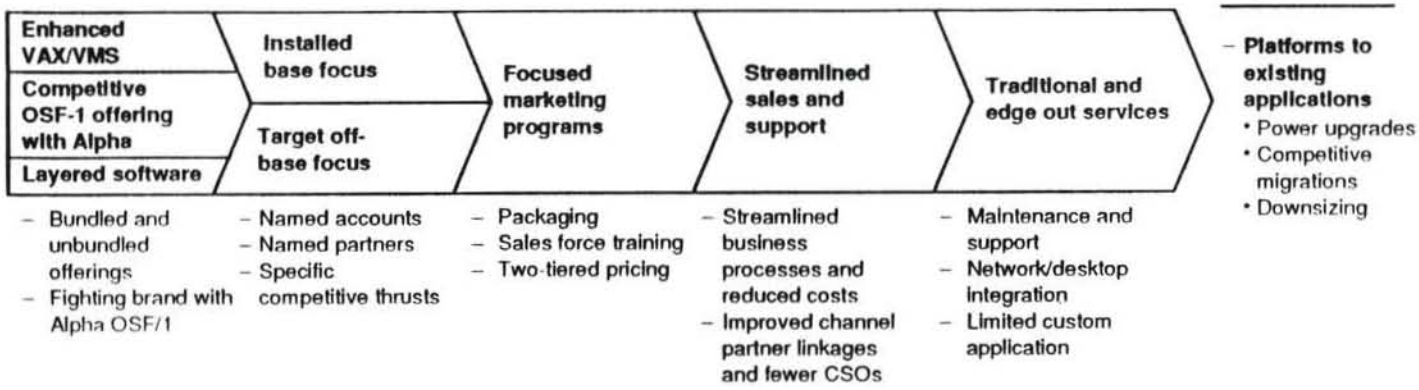
* Shows only Chicago-area geographic structure with related national and corporate accounts organizations

Source: Interviews

B03 0099/C

Exhibit 30

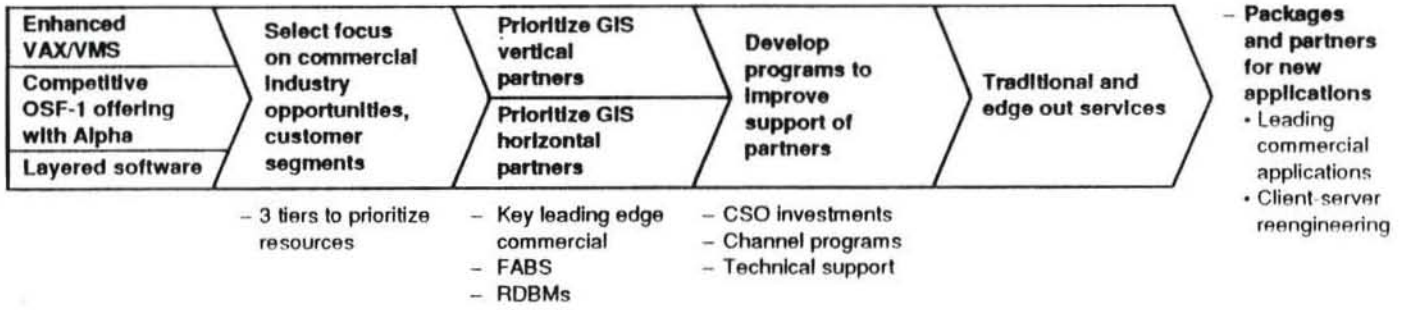
PLATFORM FOCUSED VALUE DELIVERY SYSTEM



B03 011?/F

Exhibit 31

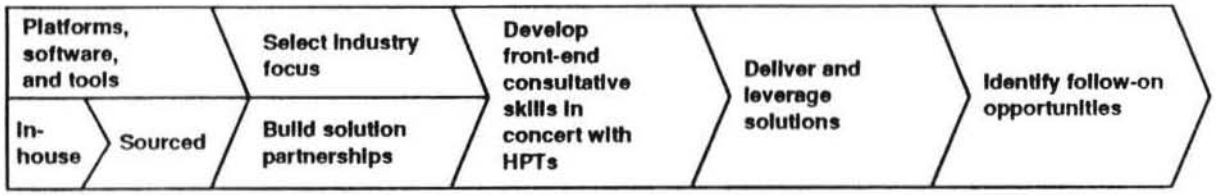
PACKAGES AND PARTNERS FOCUSED VALUE DELIVERY SYSTEM



B03 0113 1/E

Exhibit 32

SERVICES-LED CUSTOM SOLUTIONS VALUE DELIVERY SYSTEM



Target GIS customer segment

- **Service-led custom solutions**
  - 5-7 verticals (initially)

- Broad offerings

- Segments or niches to focus as prime
- Sub in others

- Cross-functional representation
- Industry focused

- Project/program management
- Capture knowledge
- Replicate

- Relationship management

B03 0113 2/E

OPPORTUNITIES FOR GIS IN THE CLIENT-SERVER AND REHOSTING MARKET

DIGITAL EQUIPMENT CORPORATION

June 29, 1992

OVERVIEW

The rapidly growing (80% CAGR) client-server market presents a very attractive discontinuity-driven opportunity for Digital – in hardware and services. While Digital enjoys a strong (52%) share in the proprietary server segment, it has little credibility in the rapidly growing Unix- or Intel-based segments

To compete more effectively in this market, Digital must aggressively attract and support CSOs and systems integrators who are expected to deliver 60% of the new solutions in this area with Alpha/OSF-1 as the lead platform

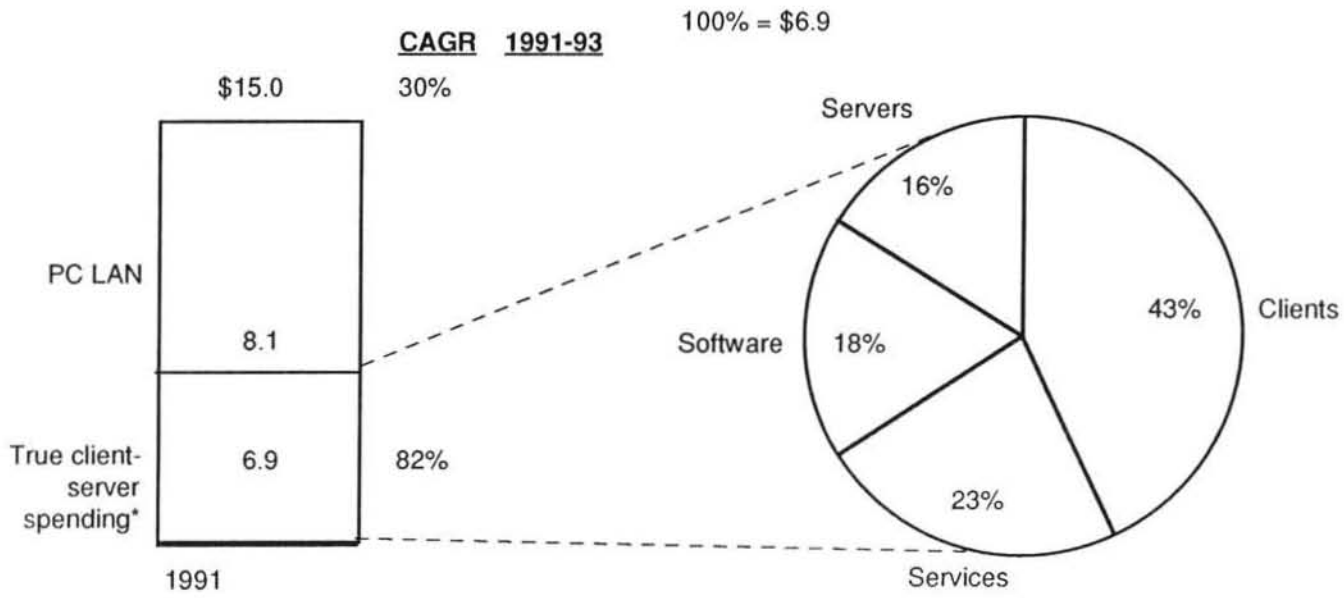
Finally, opportunities in the downsizing/rehosting market offer significant potential for Digital, particularly in hardware where rehosting mainframe or mini-based applications in the commercial markets is attractive

MARKET GROWING RAPIDLY

Limiting the definition to "cooperative processing" only, reduces the market to $6.9 billion, growing at 82 percent annually.

CLIENT-SERVER MARKET
TOTAL IT SPENDING
$ Billions

ESTIMATE



* Defined as systems working together (cooperative processing), but not counting file servers that are simply an extension of a PC's I/O subsystem

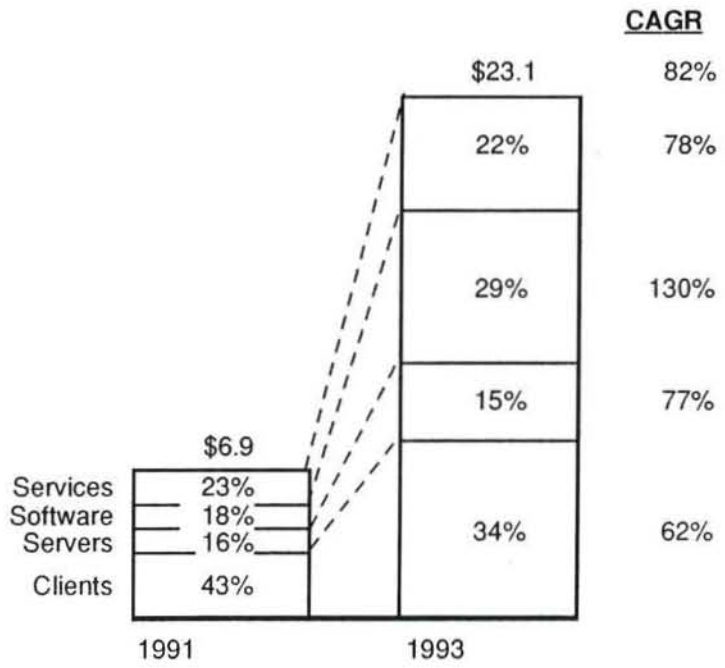
Source: Input; Forrester Research; McKinsey analysis

B03 0136/F

Software and services will make up more than half of the $23 billion market by CY 1993, with servers accounting for only 15 percent of the total – representing a $3.5 billion opportunity by 1993.

CLIENT-SERVER MARKET PRODUCT SPLIT
$ Billions

ESTIMATE

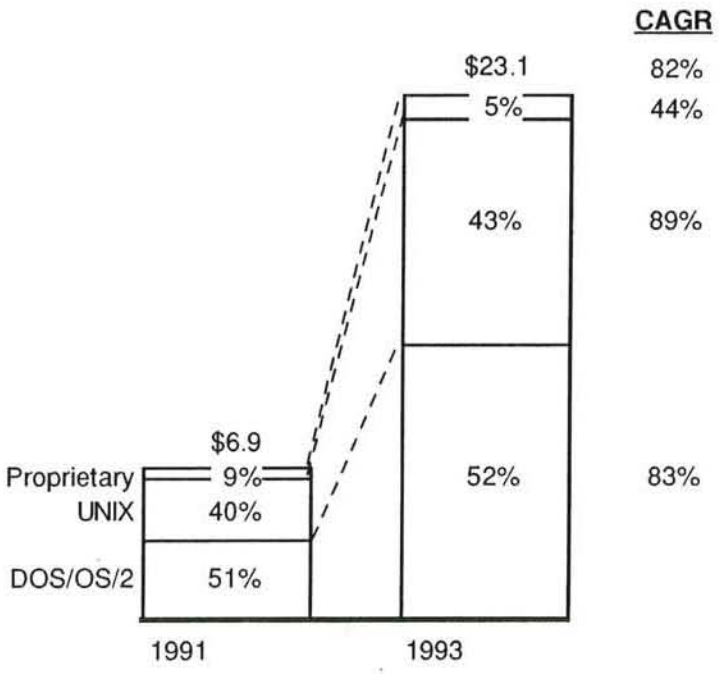


Source: Forrester Research; McKinsey analysis

Across the entire market, DOS and other Intel-based architectures encompass more than half of the market with Unix running a close second. Proprietary architectures account for less than 10 percent of the spending and are expected to shrink in the future as a percentage of total spending.

CLIENT-SERVER MARKET
OPERATING SYSTEM SPLIT
$ Billions

ESTIMATE



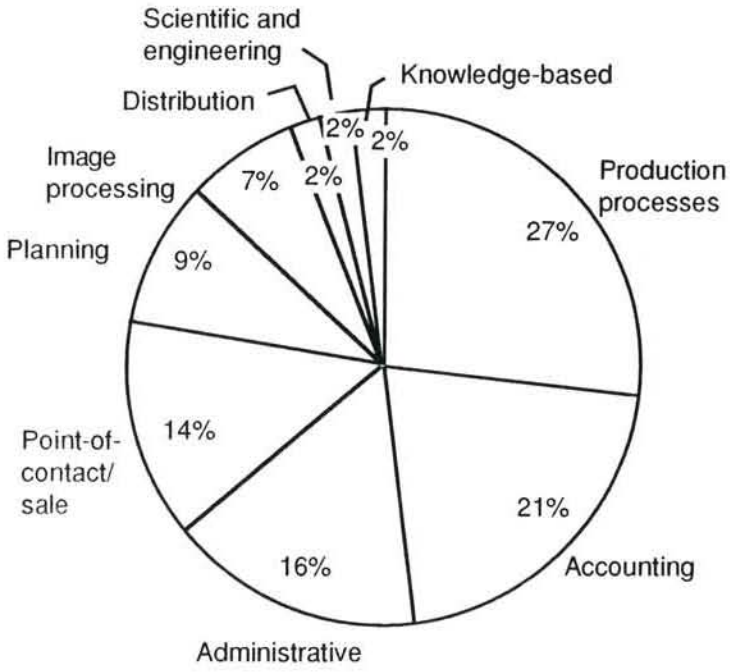
Source: Forrester Research; McKinsey analysis

Within the market for proprietary client-server solutions, accounting, administrative and production processes are the biggest applications areas. In vertical markets, financial services and manufacturing are at the leading edge of adopting client-server.

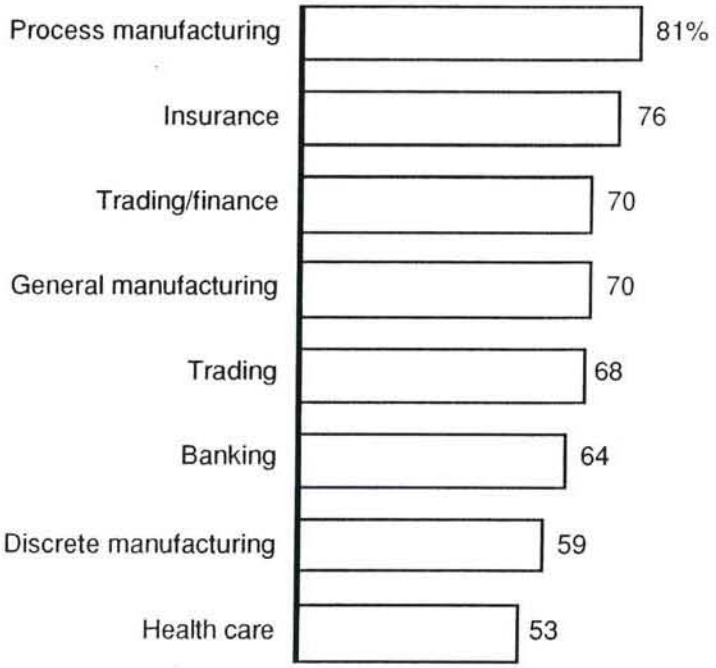
APPLICATIONS BEING MOVED TO CLIENT-SERVER

ESTIMATE

BY BROAD CLASSIFICATION



BY VERTICAL MARKET



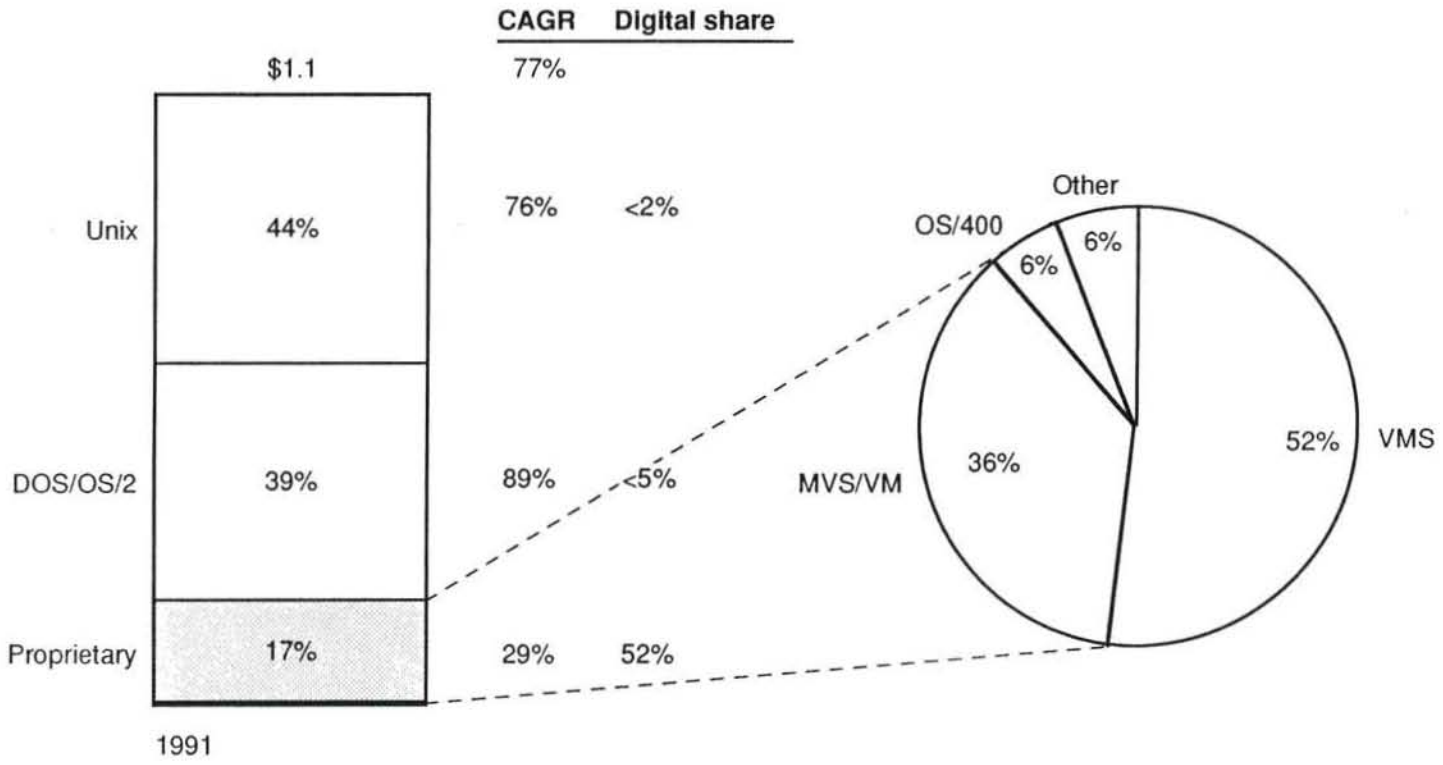
Source: Input, Business Research Group

DIGITAL WEAKLY POSITIONED

Within the server market, Digital has a large share of the proprietary OS market, but almost no share in the larger (and faster growing) DOS and Unix segments.

SERVER MARKET
$ Billions

ESTIMATE

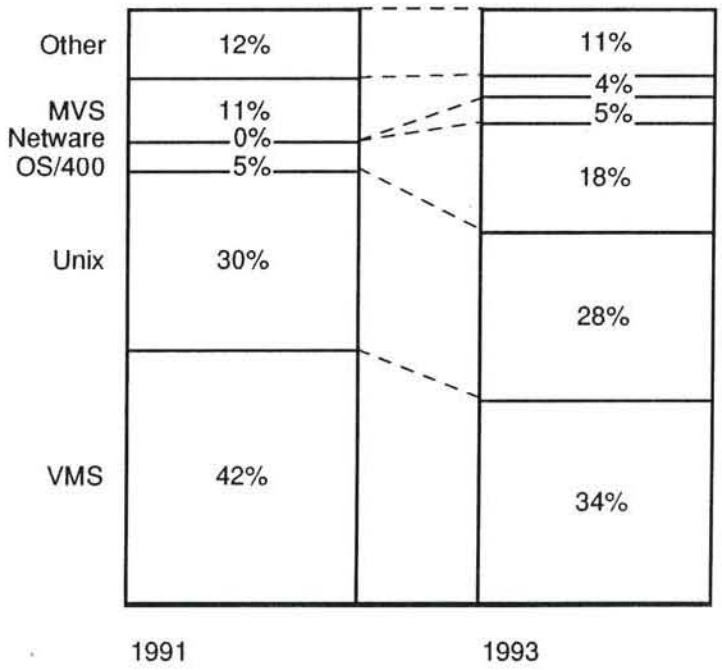


Source: Forrester Research; Business Research Group; McKinsey analysis

However, many customers now using VMS expect to move to Unix or Intel-based platforms for their servers.

OPERATING SYSTEM USED ON MINICOMPUTER SERVER
Percent

ESTIMATE

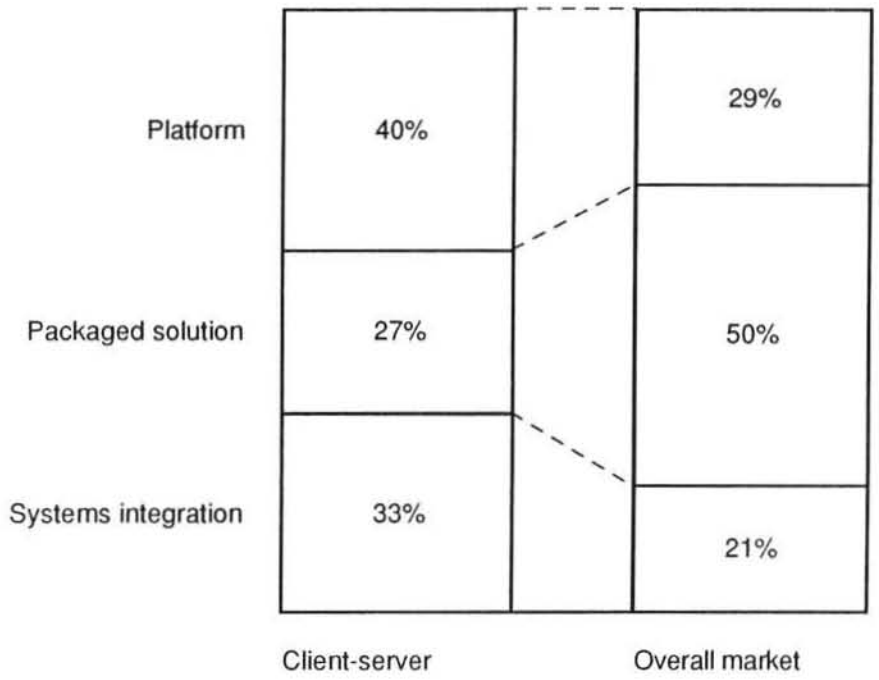


Source: Business Research Group

Although many client-server systems are bought as platforms, a larger share of spending is pulled through systems integrators and CSOs than in the overall market.

SPENDING BY DELIVERY MODE – 1991
New applications only

ESTIMATE

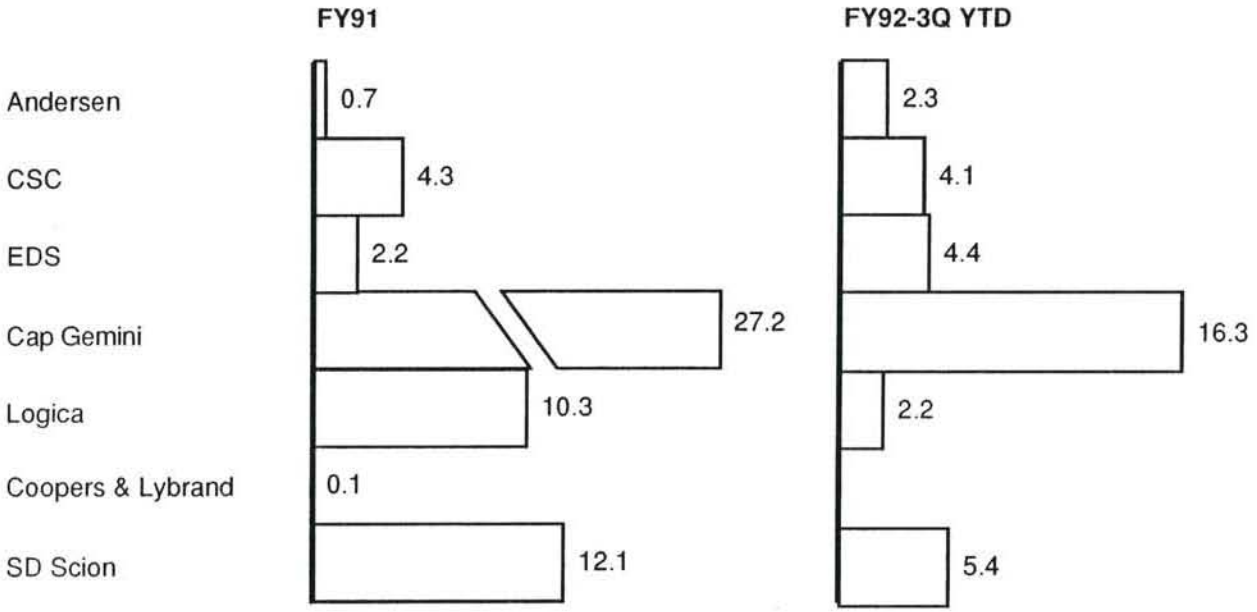


Source: Forrester; Business Research Group; McKinsey analysis

... it does not appear that Digital's platform sales are well-positioned to SI vendors in this area either.

DIGITAL PERFORMANCE IN NAMED SI ACCOUNTS

$M-NOR



	FY91	FY92-3Q YTD
TOTAL U.S.	6.1	7.0
TOTAL EUROPE	51.0	28.1
TOTAL NAMED ACCOUNTS	57.1	35.1

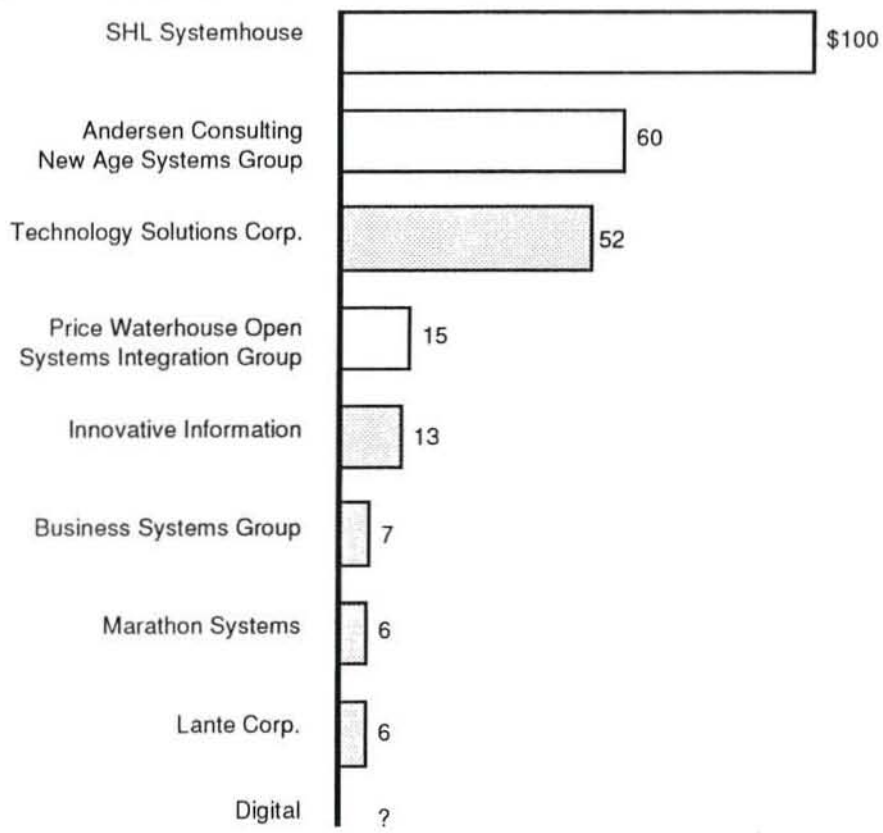
Note: Does not include revenues specified but not taken title too, which in many cases can represent substantial volumes

Digital services is not a major player within this SI delivery channel and ...

TOP PLAYERS IN CLIENT-SERVER INTEGRATION – 1991

$ Millions

Small focused SI



Current market focus

SHL Systemhouse	Industry focus on telecom, government, energy, and segments of financial services
Andersen Consulting New Age Systems Group	Small group focused exclusively on client-server systems
Technology Solutions Corp.	Industry focus on consumer products, manufacturing and financial services
Price Waterhouse Open Systems Integration Group	Dedicated open systems integration group focused on UNIX, RDBMS, client-server, and open systems
Innovative Information	Industry focus on distribution, manufacturing, and financial services
Business Systems Group	Projects to date primarily in energy sector
Marathon Systems	Industry focus on transportation, finance, and utilities
Lante Corp.	Specializes in select RDBMS and front-end applications and related client-server consulting applications
Digital	

Source: Gartner Group

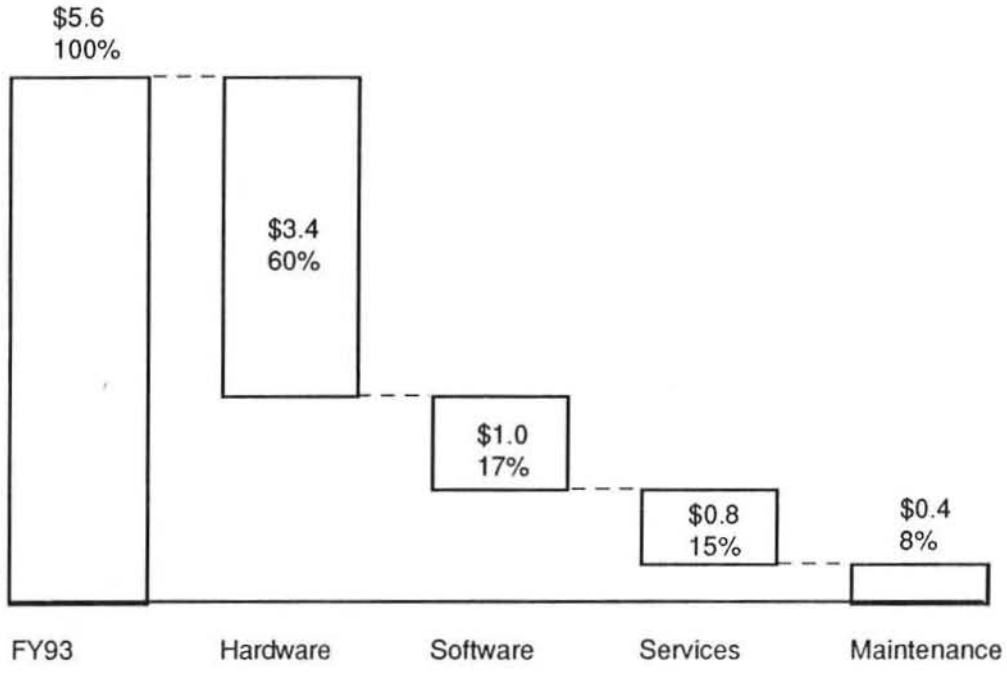
B08 0543/C

REHOSTING MARKET OFFERS POTENTIAL

Over $5 billion will be spent next year to move applications off mainframes and minicomputers onto smaller systems. Over $3 billion of this will be hardware spending.

REHOSTING MARKET – TOTAL IT SPENDING
$ Billions

ESTIMATE

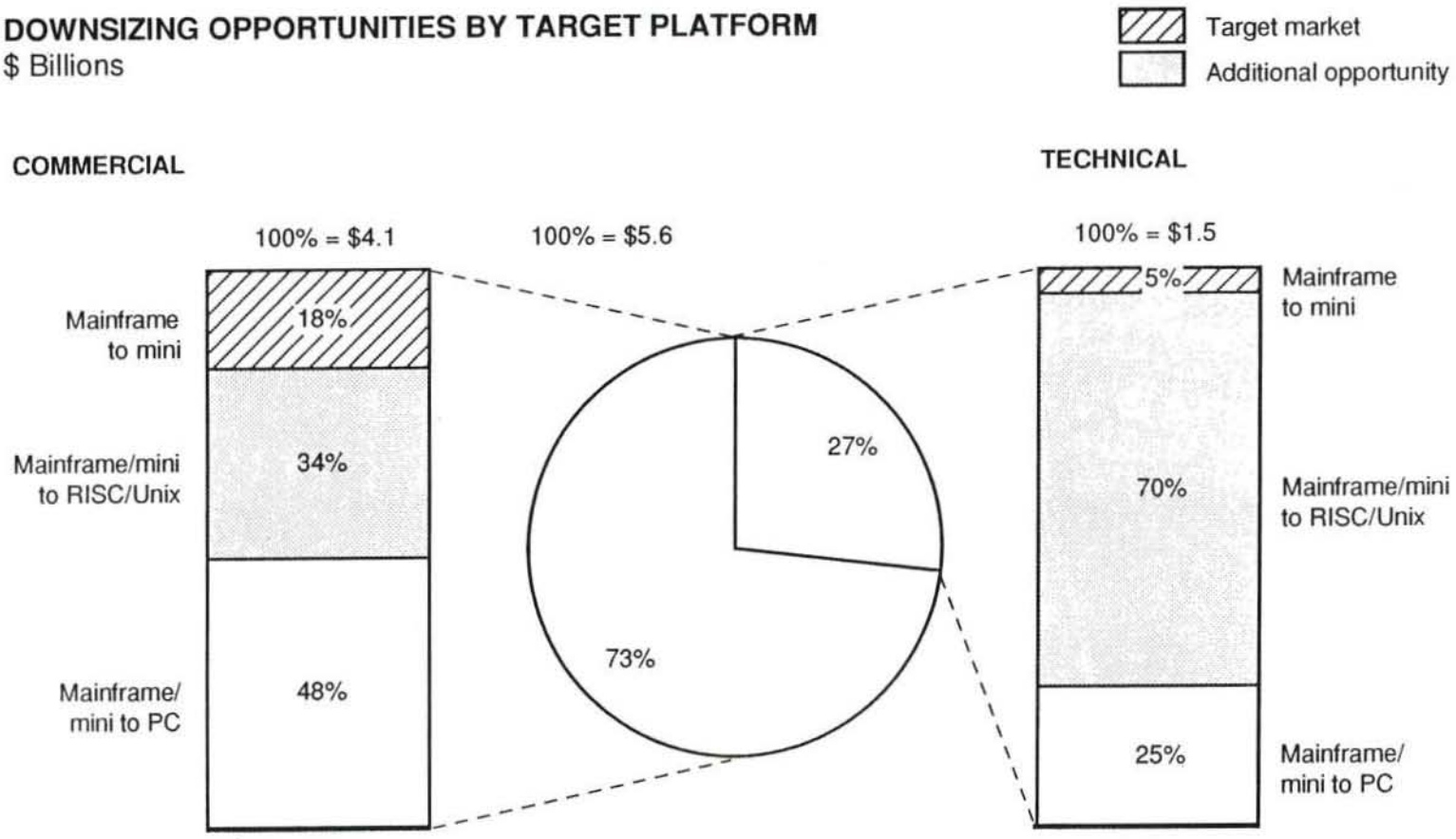


Source: Input; McKinsey analysis

B03 0146/E

The largest market segment is the commercial market, where 18 percent of the spending will be for moving mainframe applications onto minicomputers.

DOWNSIZING OPPORTUNITIES BY TARGET PLATFORM
$ Billions



Source: Input; McKinsey analysis

B03 0148/C

To improve its position in the fast growing client-server market Digital needs a two-pronged strategy – first to defend its existing platform and CSO share and gain systems integration expertise on its proprietary platforms and second to aggressively move forward on the development of open systems-based platforms.

ACTIONS TO BE TAKEN

Proprietary platforms	Open systems
– Use Open VMS to prevent erosion from installed base	– Move forward on OSF/1 development and more aggressively market Alpha OSF/1
– Deliver software integration platforms that SI can use to generate new business	– Target 10-15 key horizontal and vertical CSOs that have not yet committed – offer them Windows/NT and OSF-1 dual migration tools
– Target installed base with Digital client-server marketing campaign, touting inter-operability and Digital's client-server expertise, global network capabilities	– Build support programs to focus on the leading SIs and CSOs
– Target IBM and Unisys base for rehosting opportunities	– Build/buy skills to enable Digital services to play in this segment more effectively

MARKET ASSESSMENT OF OPENVMS AND OSF-1 OPPORTUNITIES

DIGITAL EQUIPMENT CORPORATION

June 29, 1992

OVERVIEW

OpenVMS represents an important marketing thrust for Digital, particularly in protecting the large installed base. However, the value of the POSIX compliance aspect appears modest, relative to the other changes in the marketing mix

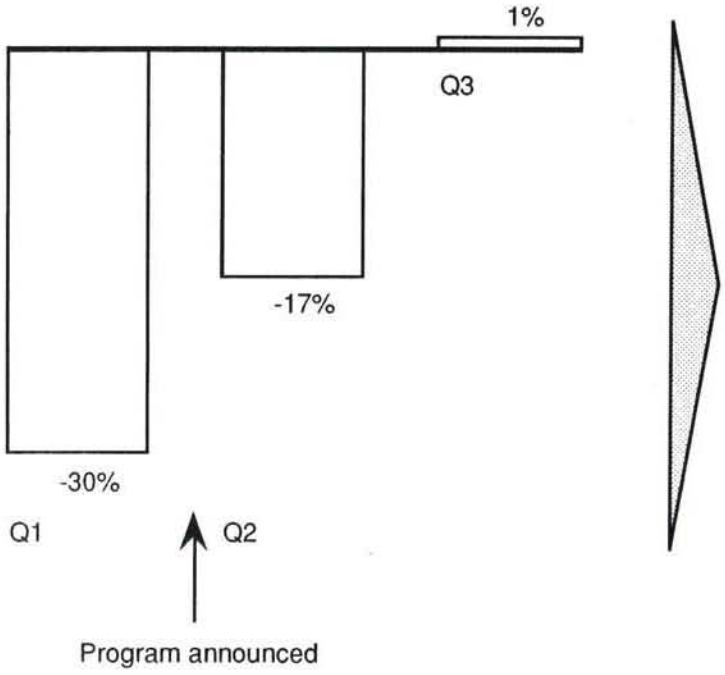
Based on a preliminary set of customer and CSO interviews, along with industry surveys, it is unlikely that OpenVMS will position Digital to compete in the rapidly growing segments as Unix is viewed as a much more attractive platform for many new applications

Digital needs both a strong OpenVMS thrust as well as an Alpha OSF-1 thrust to compete. Given the current timeframe for OSF-1 development, Digital has 2 options to fill the current competitive gap

- Shift/add emphasis to market Alpha/OSF-1 aggressively into technical and available commercial markets
- Evaluate options to acquire Unix market presence, either through system vendors or systems integrators well-versed in Unix

IMPACT OF OPENVMS PROGRAM IN UNITED STATES

FY92 VS. FY91 CHANGE IN VMS CERTS – U.S. ONLY



The impact in the U.S. has been a dramatic reversal in VMS Certs erosion

OpenVMS represents the bulk of GIS marketing expenditures (~$30 million of $68)

However, given the multiple changes in marketing mix, it is difficult to isolate impact of

- POSIX compliance
- Lower prices
- Improved performance
- Targeted platform incentives

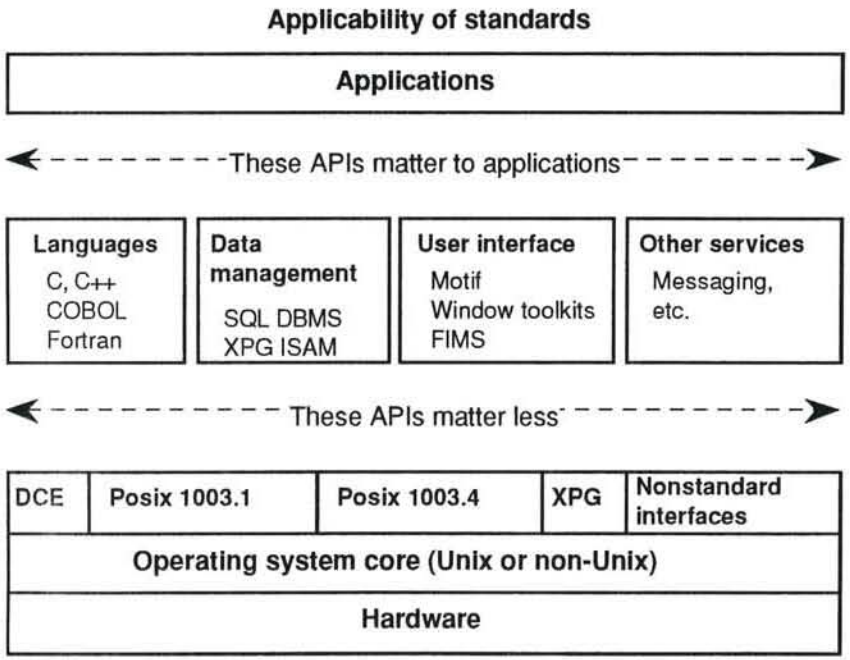
Source: Company data

B03 0196/C

Some industry analysts believe that POSIX compliance will have little impact on application portability. They argue that Middleware has a much greater impact on application portability.

VALUE CREATED BY POSIX COMPLIANCE

"The addition of Posix interfaces to VMS is irrelevant for most applications since neither the COBOL compiler nor Oracle uses them."
– Gartner Group



Open VMS will provide little customer benefit

- POSIX only applies to applications written in C; it does not standardize data base calls, graphical or forms-oriented screen I/O, or many other high-level services
- As a result, the portability of 95% of applications will not be impacted by OpenVMS
- OpenVMS does not address a major customer concern – reducing the reliance on a single vendor

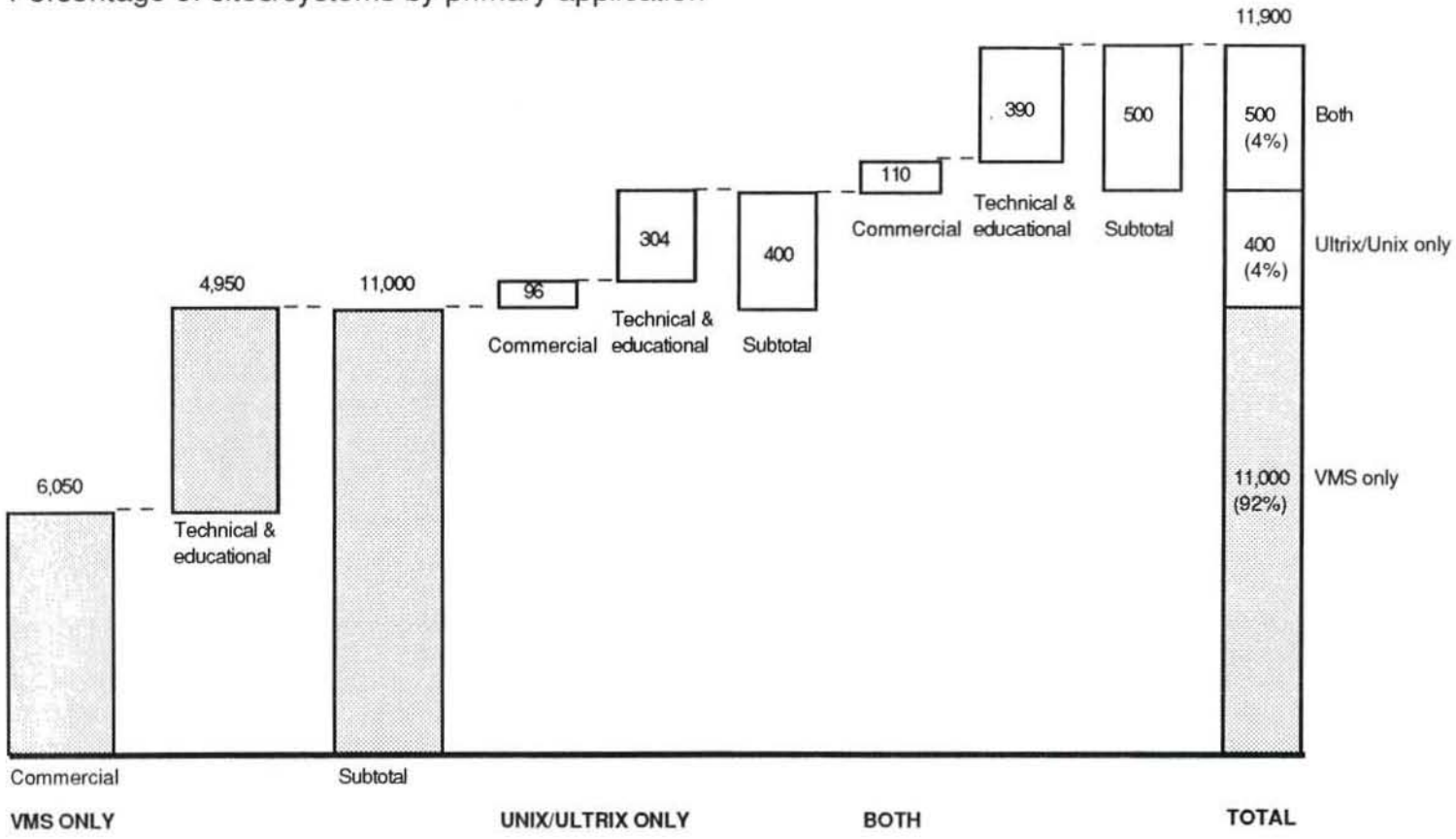
Source: Gartner Group

B03 0160/C

As over 90 percent of Digital's installed U.S. base are VMS only (by primary application), OpenVMS represents a key marketing thrust.

DISTRIBUTION OF DIGITAL U.S. BASE

Percentage of sites/systems by primary application



Note: Shading indicates differences in scale

Source: *Computerworld*

B03 0197/C

LARGE SEGMENT OF CUSTOMERS AND CSOs WANT UNIX

In general, potential customers did not see significant benefits in OpenVMS relative to the "old" VMS outside of the price and performance improvements. Customers who were not already supporting VMS saw little reason to introduce OpenVMS to their shops. At one VAX site the MIS department indicated that OpenVMS did not meet their new open systems standards.

CUSTOMER VIEWPOINTS ON OPEN VMS

Customers who do not already have VMS cite high costs and little value added as factors that prevent them from adopting OpenVMS:

"The point of differentiation is not in the operating system ... all the differentiation is in applications, service, and support. The costs of bringing in a new operating system are too high. OpenVMS has no future in my shop."

"I have a distributed network of AS400s. I have a big investment in RPG code. I have hundreds of people trained in this ... switching to a new operating system just doesn't make sense."

Customers moving to distributed architecture do not see a role for OpenVMS:

"We are moving to 3 types of configurations: (1) large-scale systems; (2) networks running OS/2; and (3) single-user systems. OpenVMS is not going to be one of these."

"Look, we have OS/2, DOS, Windows, Windows NT, and Unix. Now tell me why I need one more called OpenVMS."

For some customers, OpenVMS did not meet their open systems standards:

"Although OpenVMS is POSIX-compliant, it does not meet our rigorous open systems standards. OpenVMS does not help us reduce our single vendor dependence. I couldn't buy OpenVMS even if I wanted to."

OpenVMS may help defend the installed base:

"I don't think that MVS and VMS are going to go away entirely. They are good systems and many companies have huge investments in them. For these companies there are huge switching costs in moving to Unix. Yet, I believe that the industry is headed toward open systems. If two equivalent applications ran on Unix and OpenVMS, I would choose Unix certainly."

"It is less expensive to stay with Digital, yet we want to get out of proprietary systems. We will never spread VMS out of the scientific side, we must eventually convert it."

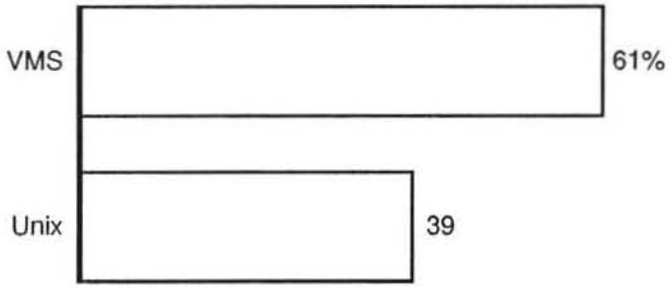
Source: Interviews

Unix is an important platform for new applications among both Digital customers and the broader market.

PLATFORM CHOICES FOR NEW APPLICATIONS

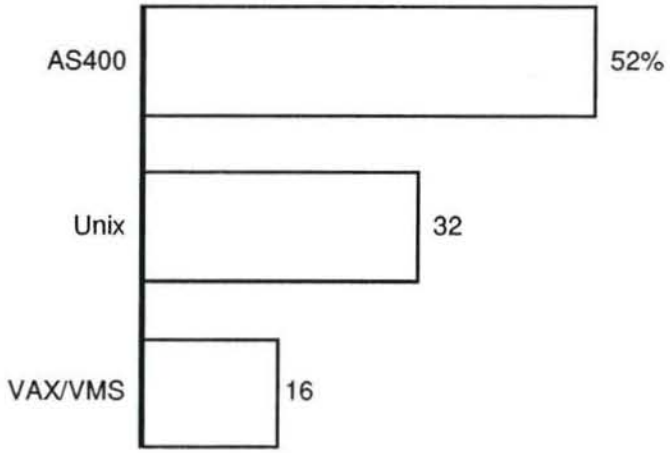
Which platform will you consider for those new applications?

DEC BASE
Survey = 168 responses



Note: Of these applications 21% are expected to be downsized, remaining are not

BROADER MARKET
Survey = 341 responses

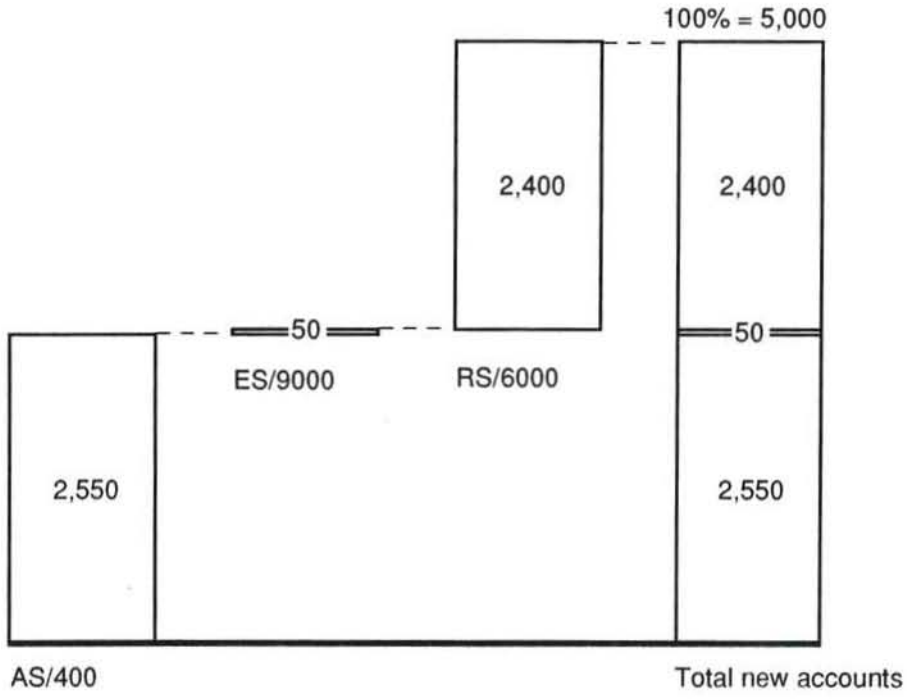


Note: Unix likely to be used in in downsizing 46% of time vs. VAX/VMS 21%; survey sample heavily weighted toward mid-range users

Source: Standish Group Survey 341 respondents across 12 industries

Representative of the bimodal segmentation is IBM's experience in attracting new accounts – about half with Unix, the rest with the proprietary AS/400 or ES9000.

IBM'S NEW CUSTOMER GROWTH
Number of accounts



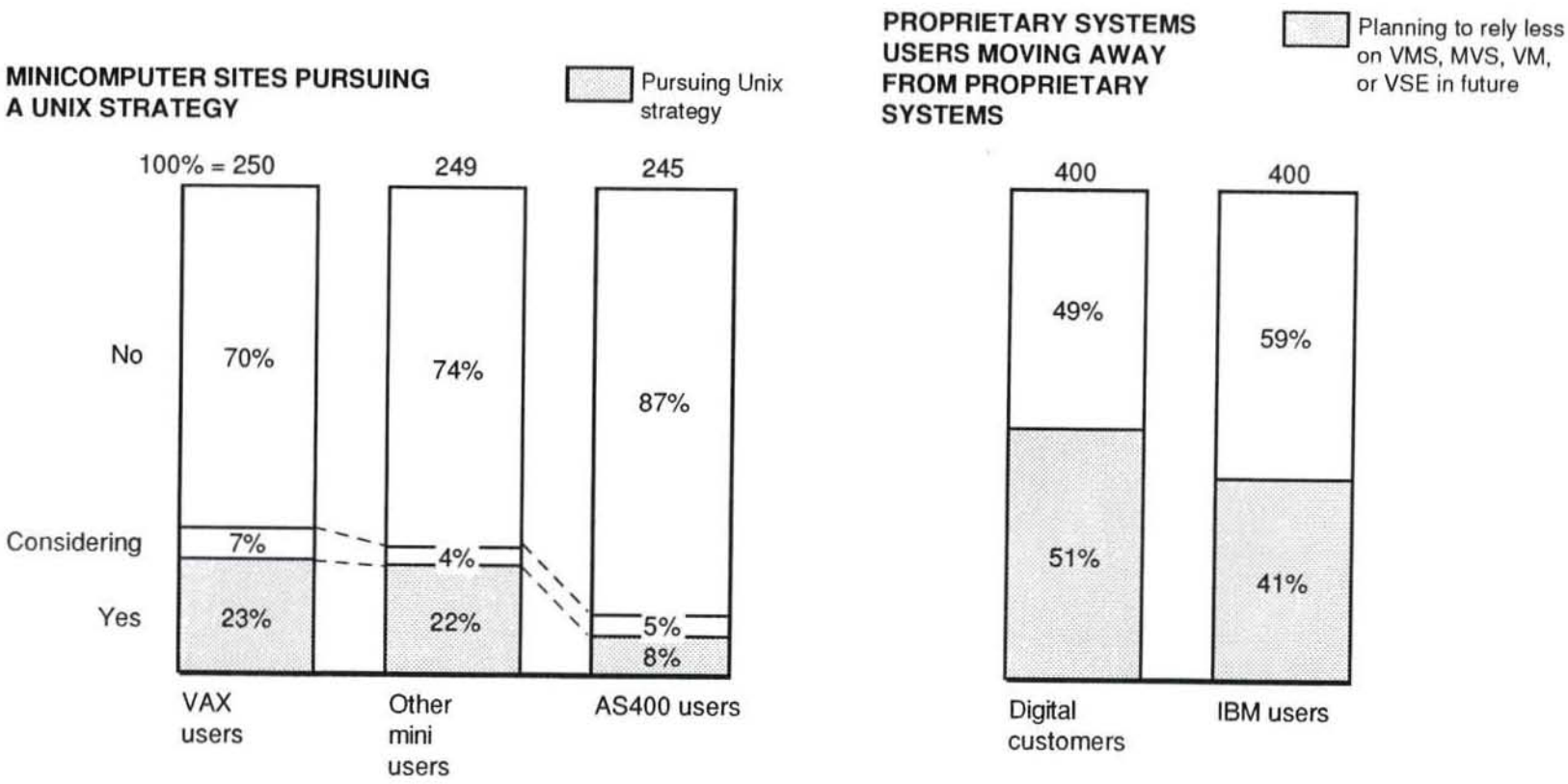
Note: New accounts defined as sites that had nothing more than PCs installed previously

Source: Digital's IBM Competitive Workshop

B03 0199/C

Within the Digital base, a sizable portion of the customers are pursuing or considering migration of applications to Unix.

DIGITAL CUSTOMER MIGRATION TO UNIX



Source: IDC; *Information Week*

Based on our customer interviews, few customers claimed to be making substantial future investments in VMS or OpenVMS systems.

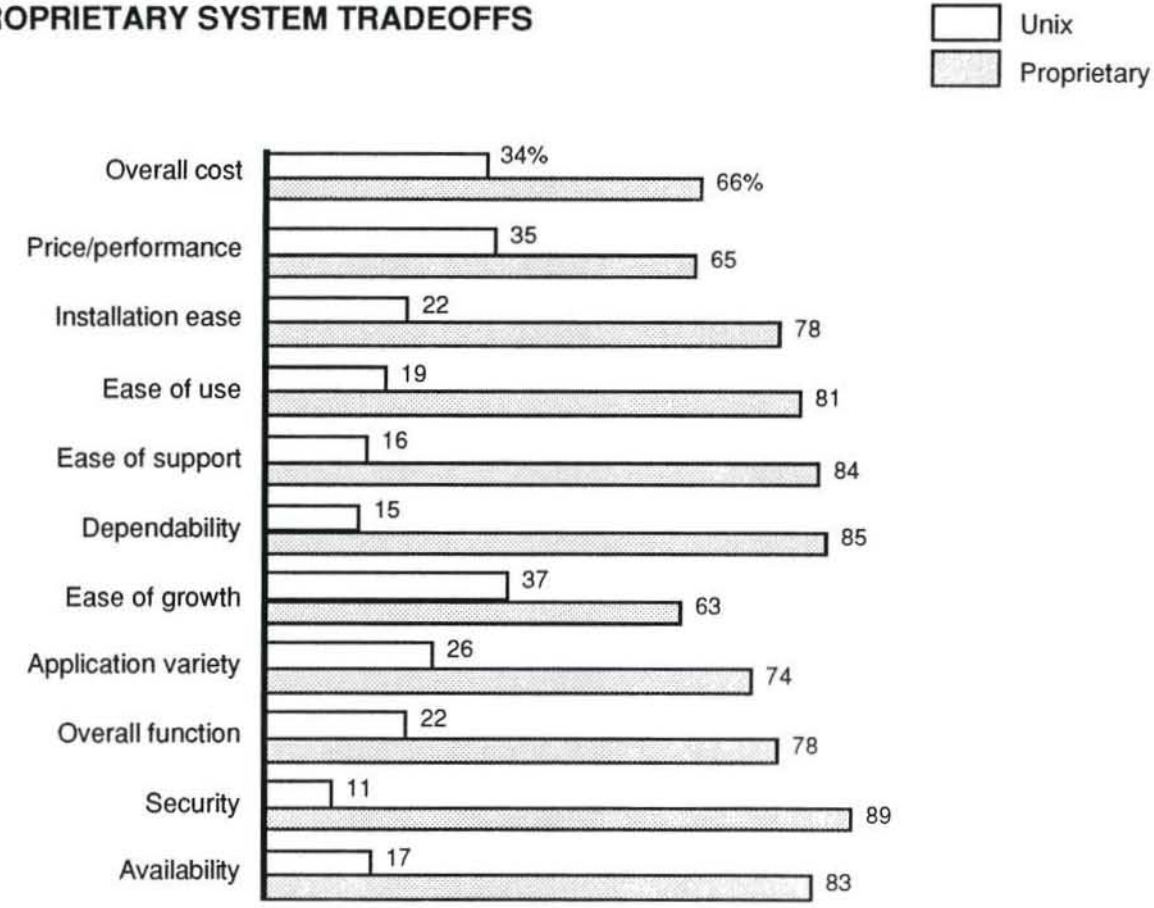
WHERE COMPANIES ARE MAKING MAJOR FUTURE INVESTMENTS

Customer	MVS	OS400	VMS/ open VMS	Unix	Dos, OS/2 Windows, Mac OS
Campbell Soup	√	√		√	√
Lever Brothers Co.	√			√	√
Tambrands		√			√
Nabisco	√	√			√
Polaroid	√		√	√	√
Kodak	√				
Bristol Myers Squibb	√			√	√
Goldman Sachs	√			√	√
Shearson/Lehman	√			√	√
The Boston Company			√		√
National Citibank	√				√
Society					√
J.P. Morgan				√	√
Panhandle Eastern	√			√	√
Houston Light & Power	√			√	√
Indianapolis Power & Light	√			√	√
PSI	√			√	
Detroit Edison				√	

Source: Interviews

In recent years Unix has made substantial inroads into the low and midrange computing market. Yet, many users still find proprietary systems superior on a number of dimensions.

UNIX VS. PROPRIETARY SYSTEM TRADEOFFS



Source: Market research done for Digital by the Standish Group

B03 0200/C

While there clearly is a functionality gap associated with Unix, that gap is likely to diminish in the next several years.

COMPETITIVENESS OF UNIX VS. PROPRIETARY OFFERINGS

○ UNIX inferior
◑ UNIX competitive
● UNIX superior

	1991-92	1993-94	1995+	Factors driving change
Initial price	●	●	●	Low-cost, microprocessor-based hardware; competition
Cost of ownership	◑	●	●	Better inter-operability and portability options
Applications availability	◑	●	●	Expanding ISV commitment; better applications portability
Product breadth	○	◑	●	Growing Unix installed base
Storage technology	◑	◑	◑	OEM driven market
Ease of use	○	◑	◑	Proliferation of UNIX and growing familiarity; improved GUIs
Systems uptime	○	◑	◑	I/O subsystem enhancement; error detection and recovery
Systems management	○	◑	◑	API, system call, and menu-driven enhancements

Source: IDC

B03 0201/V

Reflecting their own customers' views, CSOs anticipated only limited growth opportunities resulting from OpenVMS, mostly among the installed base. Unix was expected to provide much greater growth potential.

CSO INTERVIEW SUMMARY

Regarding OpenVMS

"OpenVMS will help defend the VAX installed base. When the MIS group gets heat from management about moving to open systems, they can respond that Digital offers open standards."

"I can't see OpenVMS creating much demand outside of Digital customers."

"OpenVMS is not going to create any significant growth for us."

"OpenVMS? I've never heard of it."

Regarding Unix

"Customers are defining 'open' as Unix."

"Most of my applications are on VMS or OS400. Right now we are writing them all to Unix. Unix is the single most important operating system for us going forward."

Source: Interviews

Supporting their comments with actions, many leading CSOs are porting or rearchitecting their applications to Unix.

MAJOR CSOs CONVERTING TO UNIX ILLUSTRATIVE

$ Millions

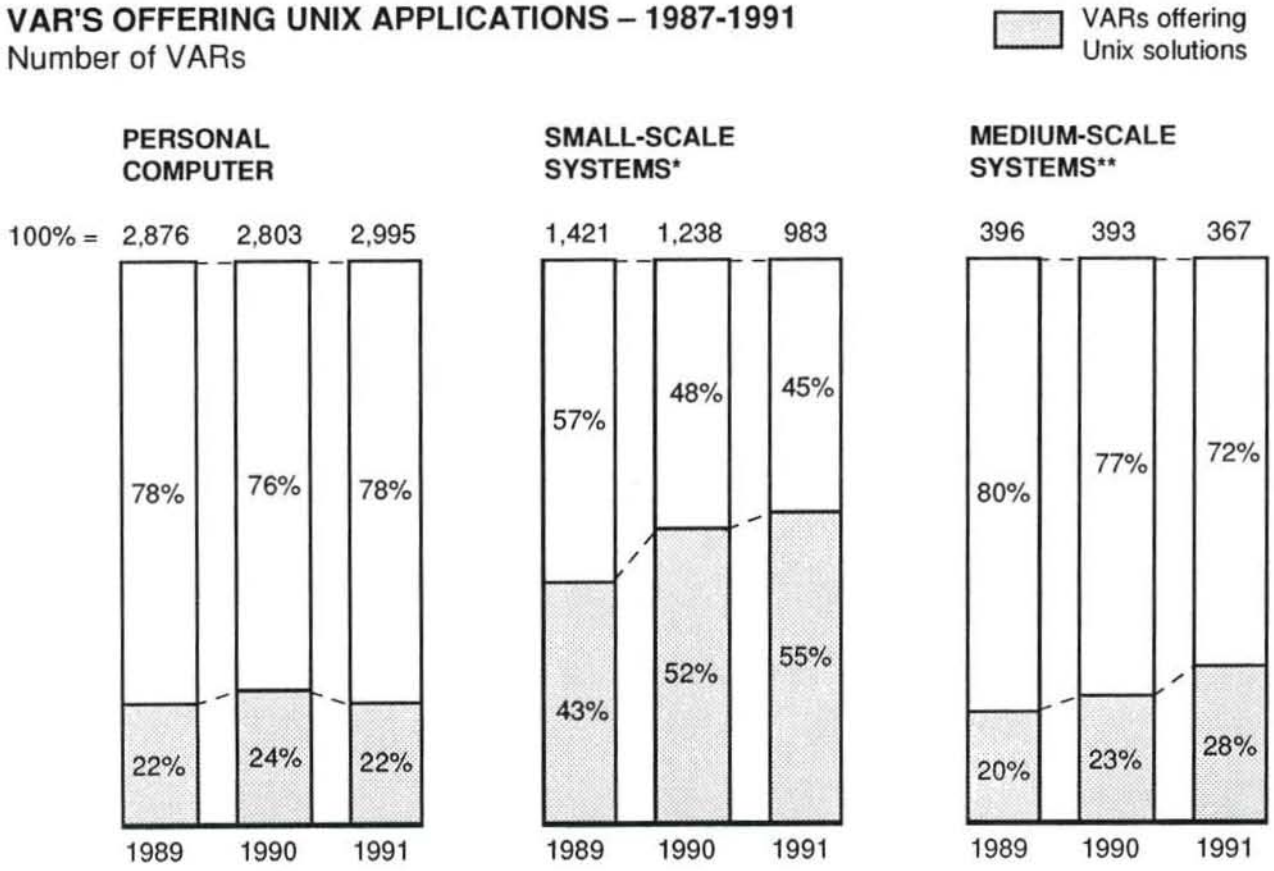
CSO	1990 revenue	Current operating system	Reasons cited
Ask Computers	$340	VMS, OS400, MPE	Customers defining Unix as open
Ross Systems	30	VMS	Customer demand
D&B Software	425	MVS, OS400 , VMS	Facing increasing pressure from Oracle and People Soft in client/server applications
Quotron	n/a	"Proprietary"	Distributed environment for trading system
ABB	n/a	VMS	Customer demand
SAP	17*	MVS	Vendor independence, customer demand
Legent/Goal	350	Various	Vendor independence, customer demand
SAS	240	VMS, MVS	Vendor independence, customer demand
Software AG	55	Various	Customer demand; ease of porting applications from MVS to Unix
Atex	60	VMS/PDP-11	Strategic realignment with IBM RS/6000

* U.S. only

Source: IDC; Trade Press; interviews

ISVs and VARs are writing an increasing number of applications to Unix. Over half of the applications for small-scale systems costing $10,000 to 100,000 have been written to Unix.

VAR'S OFFERING UNIX APPLICATIONS – 1987-1991
Number of VARs



* Systems serving 2-32 users costing $10,000-$100,000
** Systems serving 33-128 users costing $100,000-$1,000,000

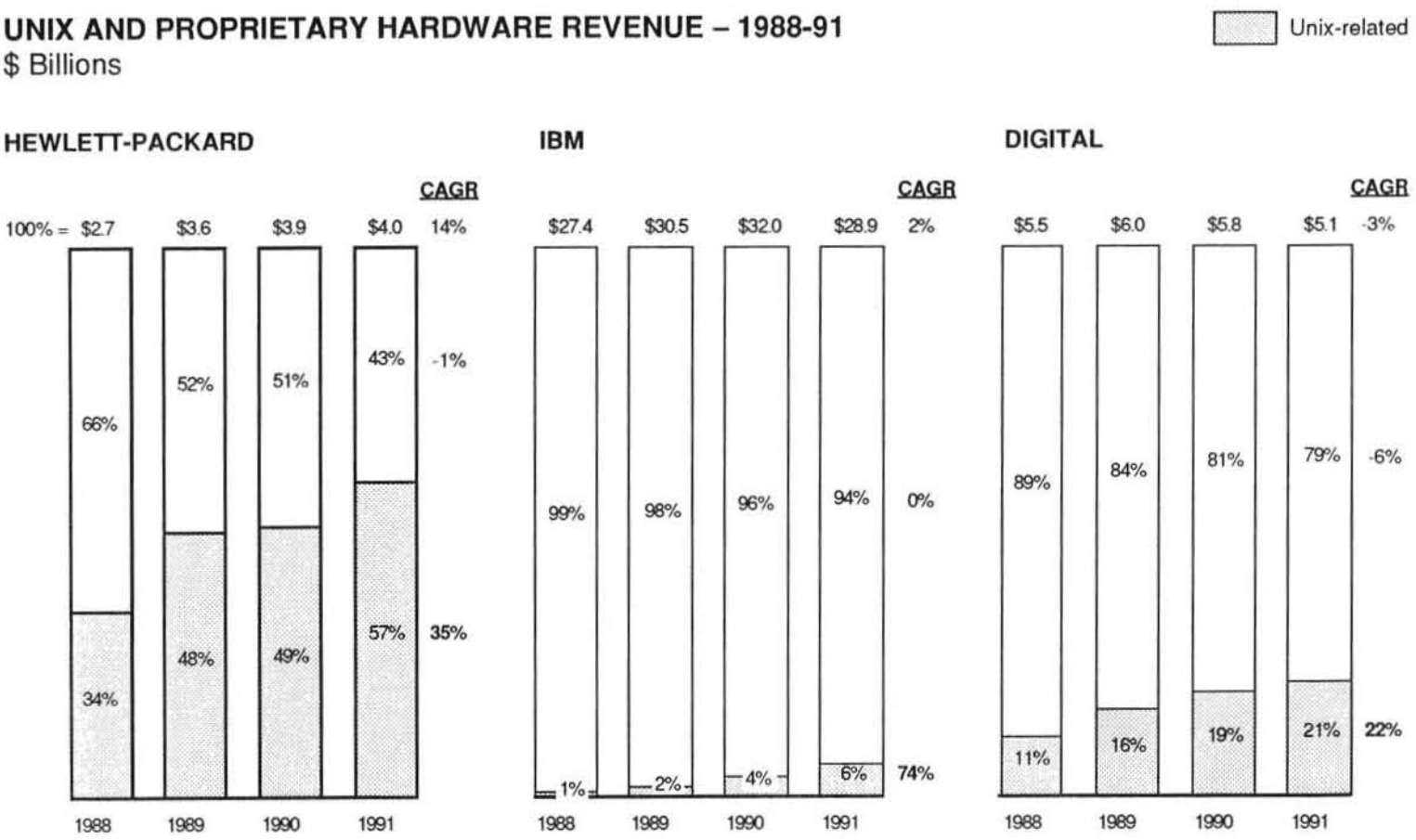
Source: IDC; ComputerWorld VAR data base

B03 0191/E

COMPETITIVE GAP IN DIGITAL'S UNIX OFFERING

As major competitors, IBM and HP have been able to grow their hardware sales over the last several years largely on the strength of Unix, while Digital has underperformed the market.

UNIX AND PROPRIETARY HARDWARE REVENUE – 1988-91
$ Billions

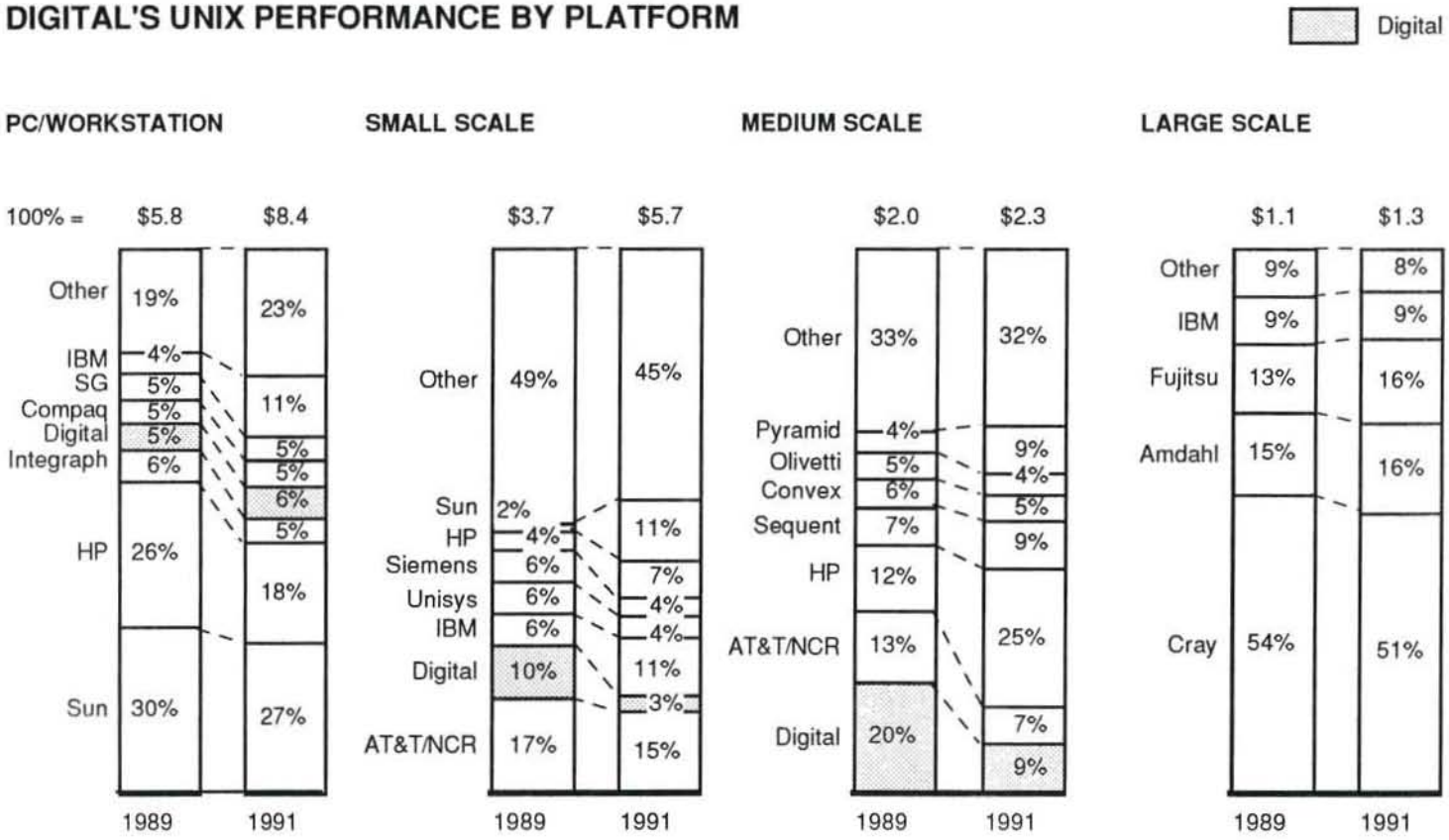


Source: DataQuest

B03 0202/C

Over the past 2 years, Ultrix has held share in the PC/workstation market, but lost considerable share in small- and medium-scale systems, falling from 10 percent to 3 percent and from 20 percent to 9 percent respectively. Digital is not a player in the large-scale Unix market.

DIGITAL'S UNIX PERFORMANCE BY PLATFORM



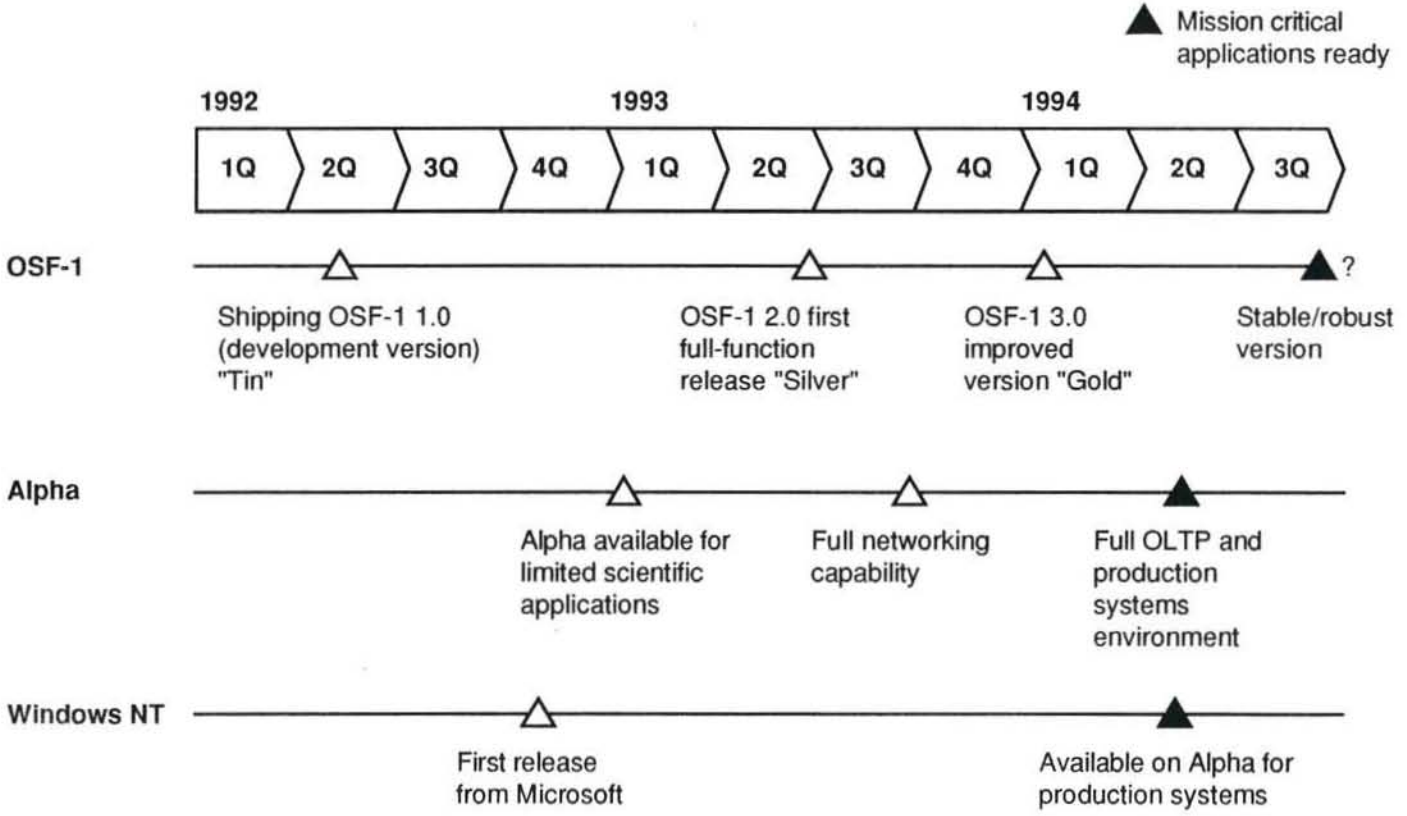
Source: IDC

B03 0193/E

After many stops and starts, Digital appears to have settled on OSF-1 and Alpha as its strategic platform for Unix. However, the current timeframe for development continues to leave Digital exposed in terms of a Unix platform for the commercial markets.

TIMEFRAME FOR PRODUCT ROLLOUT

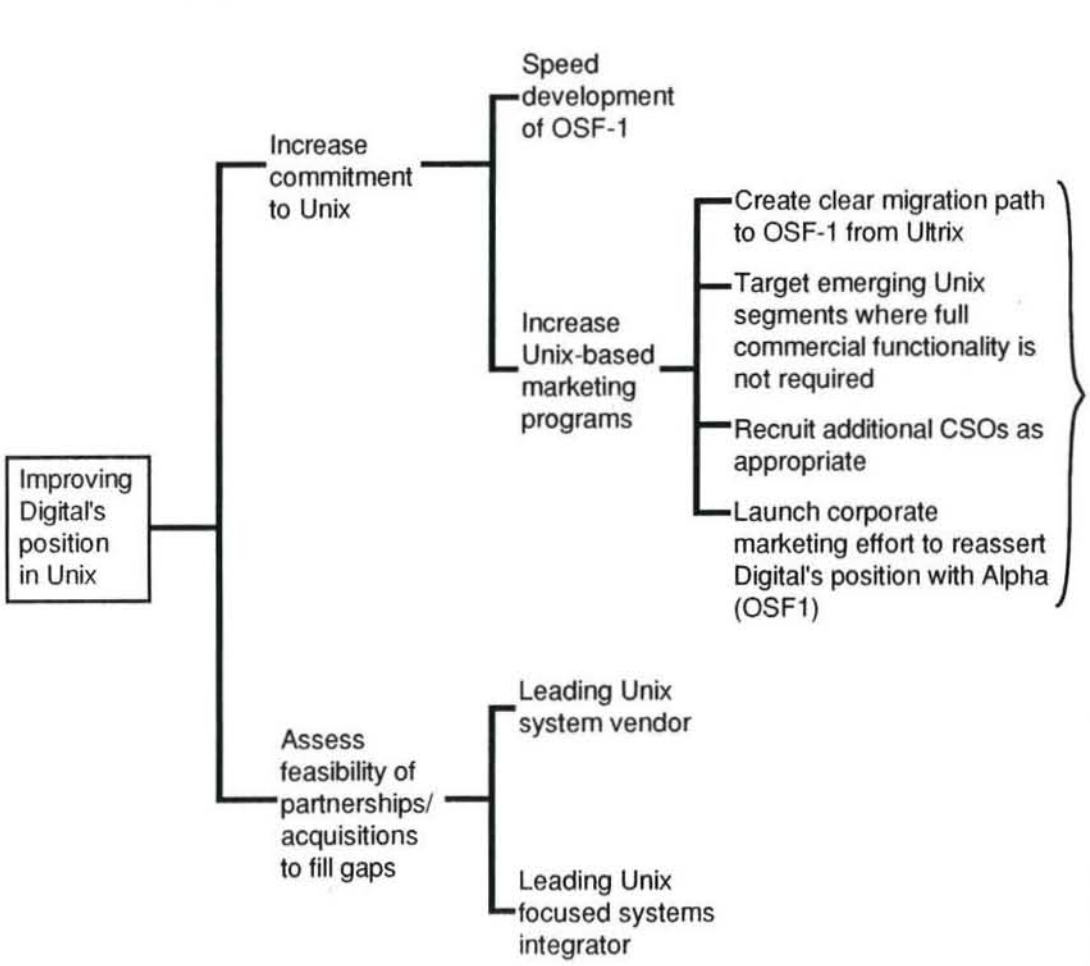
PRELIMINARY



Source: Gartner Group; company data

B03 0194.1/E

OPTIONS TO IMPROVE DIGITAL'S UNIX POSITION



Perspective

Some leverage may exist here, but limits to acceleration may be real

Some efforts underway (e.g., targeting Alpha into technical workstations). However, substantial gap between opportunity and resource investment appears to exist – GIS spending is almost zero on OSF-1 thrust

Very preliminary review suggests few real options exist for either financial, technical, or market position reasons; further effort required to complete assessment

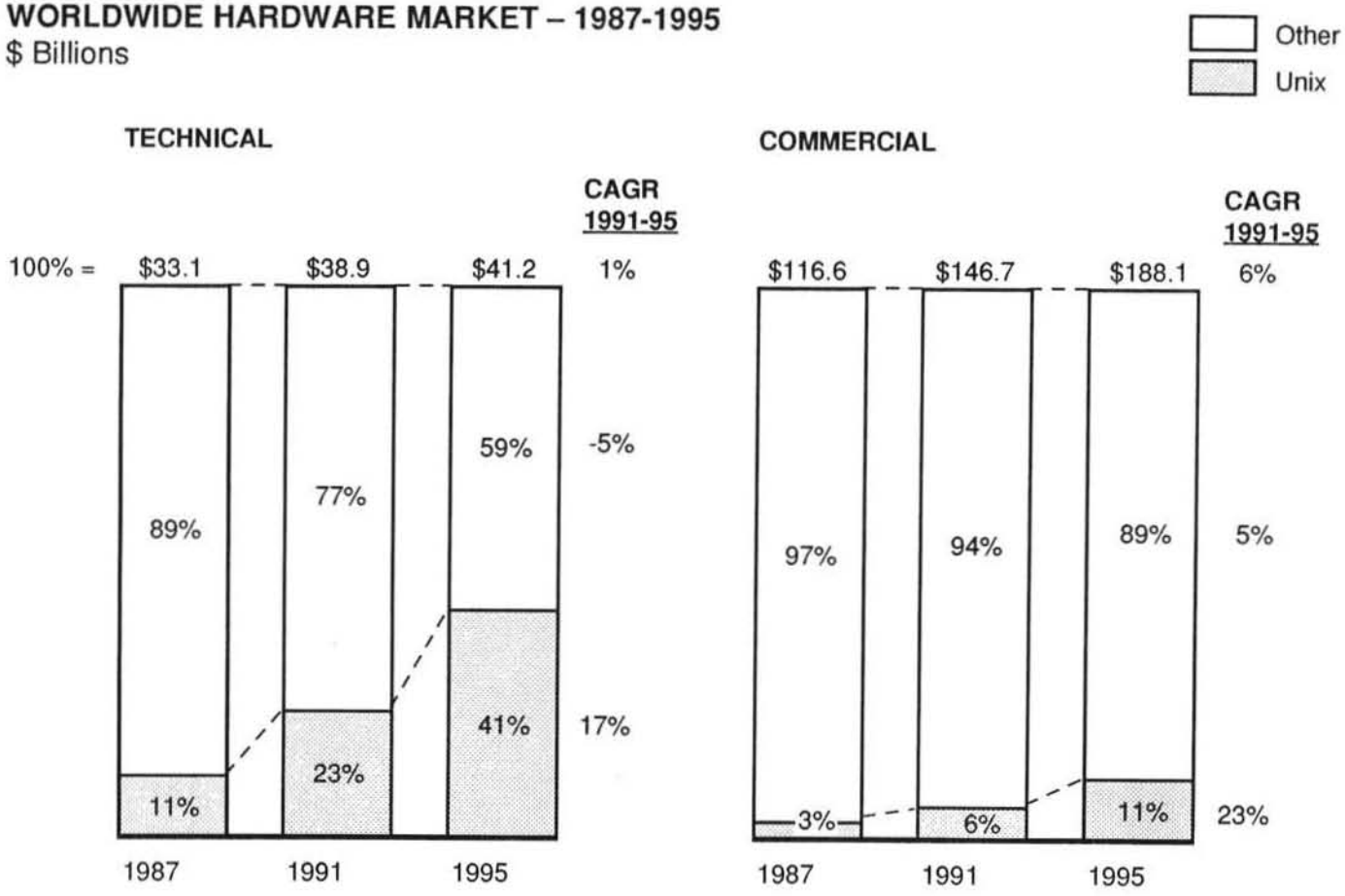
Several leading SI vendors focusing on client/server opportunity exist, further effort required to assess Unix contribution

B03 0203/V

Attractive Segments To Focus On

The Unix market has grown significantly especially in the technical market where Unix systems have achieved high penetration of the workstation market.

WORLDWIDE HARDWARE MARKET – 1987-1995
$ Billions



Source: Dataquest; IDC

B03 0190/E

Among technical Unix markets, opportunity for further penetration exists in a number of high-growth markets (e.g., design automation). These are areas where Alpha/OSF-1 should first be targeted.

TECHNICAL UNIX MARKETS –1990
$ Billions

UNIX MARKET GROWTH	0-9%	10-19%	≥20%
≥30%	Design automation $3.3 Scientific 1.1 Laboratory 0.3 Medical 0.2 Industrial automation 0.6 Other technical 0.6 $6.1	Real time data acquisition and control $0.6 Graphics and imaging 0.7 $1.3	Chemistry $0.3
15-29%	Technical software development $0.9	Earth resource mgt. $0.3 Technical publishing 0.4 $0.7	
0-14%			

DIGITAL MARKET SHARE

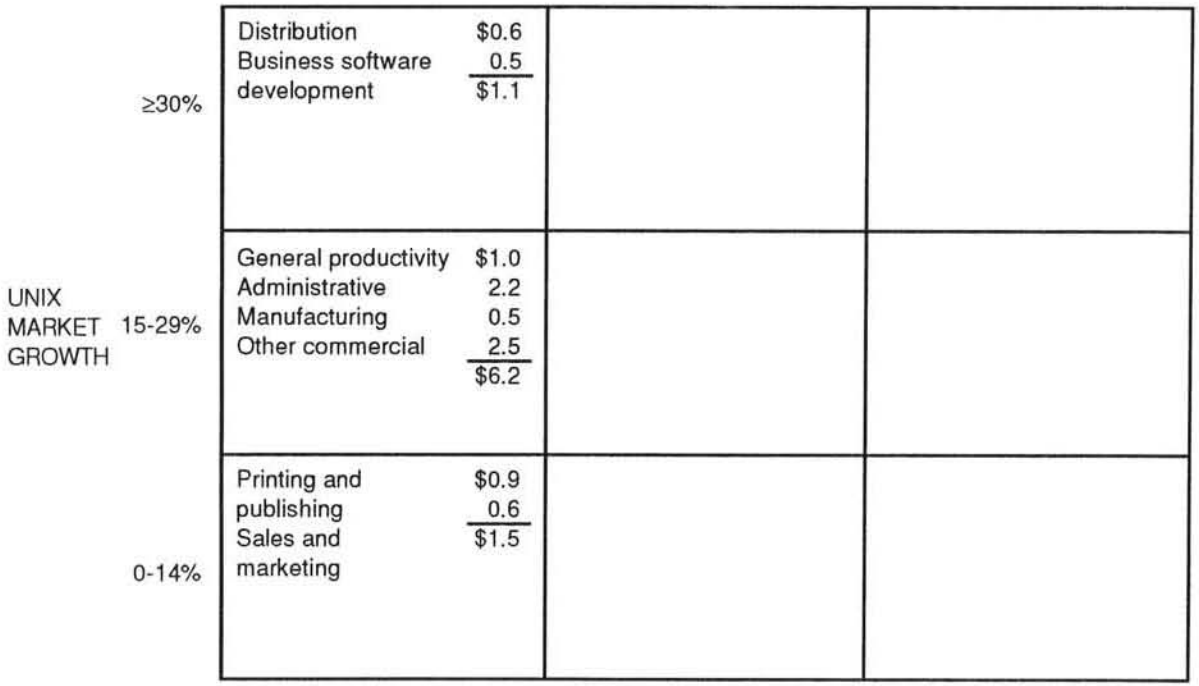
TOTAL TECHNICAL = $9.3

Source: Dataquest

B03 0206/F

Within the commercial markets, there are many segments of opportunity, in few of which Digital has built a meaningful share position.

COMMERCIAL UNIX MARKETS –1990
$ Billions



TOTAL COMMERCIAL = $8.8

Source: Dataquest

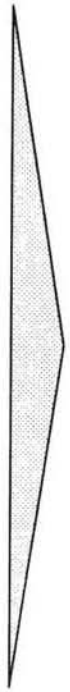
B03 0206.1/F

There are a large number of potential partners to enhance Digital's short-term Unix offering. Yet, such a partnership may cause further confusion regarding Digital's Unix strategy

POTENTIAL UNIX PARTNERS

Company	1991 revenue	1991 share
Sun	$2.9	16%
Hewlett-Packard	2.5	14
IBM	1.7	9
AT&T/NCR	1.3	7
Digital	0.9	5
Cray	0.7	4
Compaq	0.6	3
Silicon Graphics	0.5	3
Intergraph	0.5	3
Unisys	0.4	2
Siemens/Nixdorf	0.4	2
Groupe Bull	0.4	2
Fujitsu	0.3	2
ICL	0.3	2
Sequent	0.2	2
Texas Instruments	0.2	1
Olivetti	0.2	1
Sony	0.2	1
Amdahl	0.2	1
Motorola	0.2	1
Pyramid	0.2	1
Convex	0.2	1
Altos	0.1	1
Hitachi	0.1	1
Data General	0.1	1
Others	2.4	14
Total	$17.7	100%

Source: IPC; Datapro

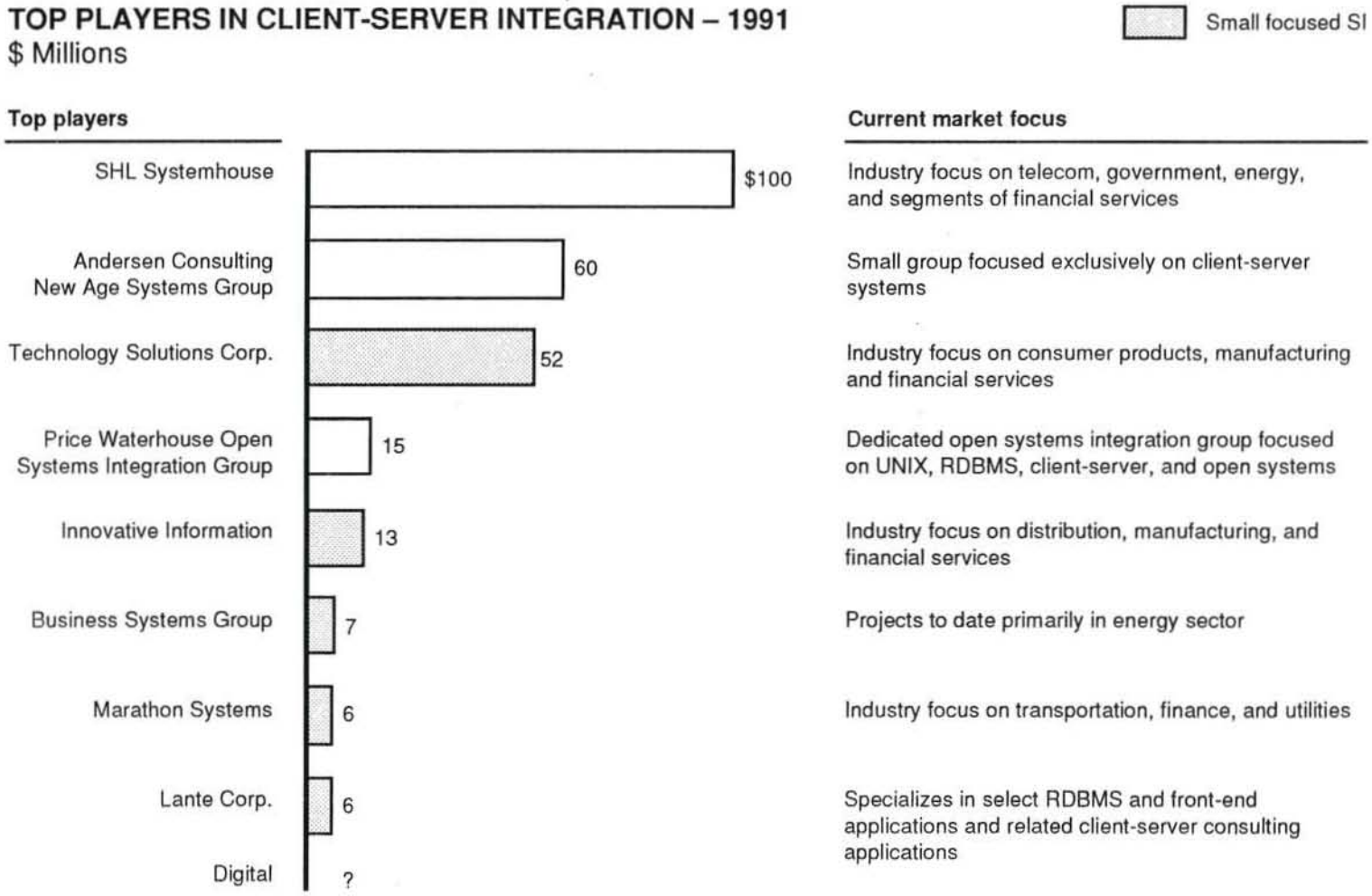


Further evaluation required, but preliminary thinking is not compelling in terms of supporting arguments for acquisition

There are several highly focused systems integrators that might enhance Digital's SI delivery in client-server applications.

TOP PLAYERS IN CLIENT-SERVER INTEGRATION – 1991

$ Millions



Source: Gartner Group

B08 0543/C

APPENDIX 2

EXISTING/PLANNED GIS INITIATIVES

- Marketing initiatives
- Engineering initiatives
- Financial summary

GIS MARKETING INITIATIVES

DIGITAL EQUIPMENT CORPORATION

June 29, 1992

GIS MARKETING OVERVIEW

	Key Marketing Programs			
Type of sale	**OpenVMS and Alpha**	**Global networks**	**Downsizing**	**Applications**
Systems or network led	. OpenVMS . Alpha Servers	Pkgd/Modular Solutions Targets Account Program		
Applications led	. Access works	. Bandwith Intensive Network Solutions . OEM Recruiting	DEC Solutions for IBM . Unisys	. Focus Support of Top 10 CSOs . Re-energize 3rd party Data Base
Services led		. Network Services Program	. Reengineering with Client/ Server	. New Client/ Server CSO's (SAP, PW Dodge)

OVERVIEW OF FY93 OpenVMS PROGRAM ACTIONS

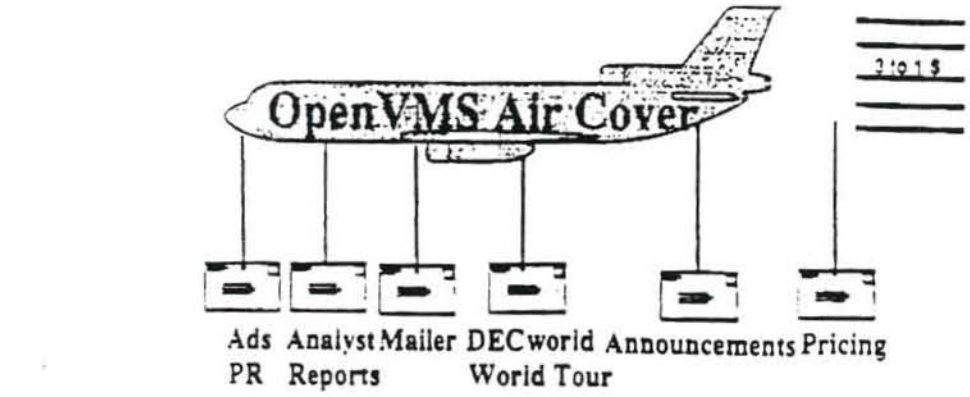
	GIS	US/Europe/GIA	IBU	SERVICES
OpenVMS	. Maintain Senior management focus . Lead Champions and Partners . Announcements . Air Cover . Sales Tools . CSO Support . Pricing and easy packaging	. Monthly Management Review . Deploy Champions Partners . Announcement as Rallying Points . Deploy Air Cover . Use Sales Tools . Promote to CSOs . Implement pricing, lead with easy packages	. Translate to industry Benefits . Promote OpenVMS . Support top 100 CSO's . Get Selected Open and Downsizing Application	. Help OpenVMS Customers move to Alpha . Move maintenance prices to be commensurate with an Open System

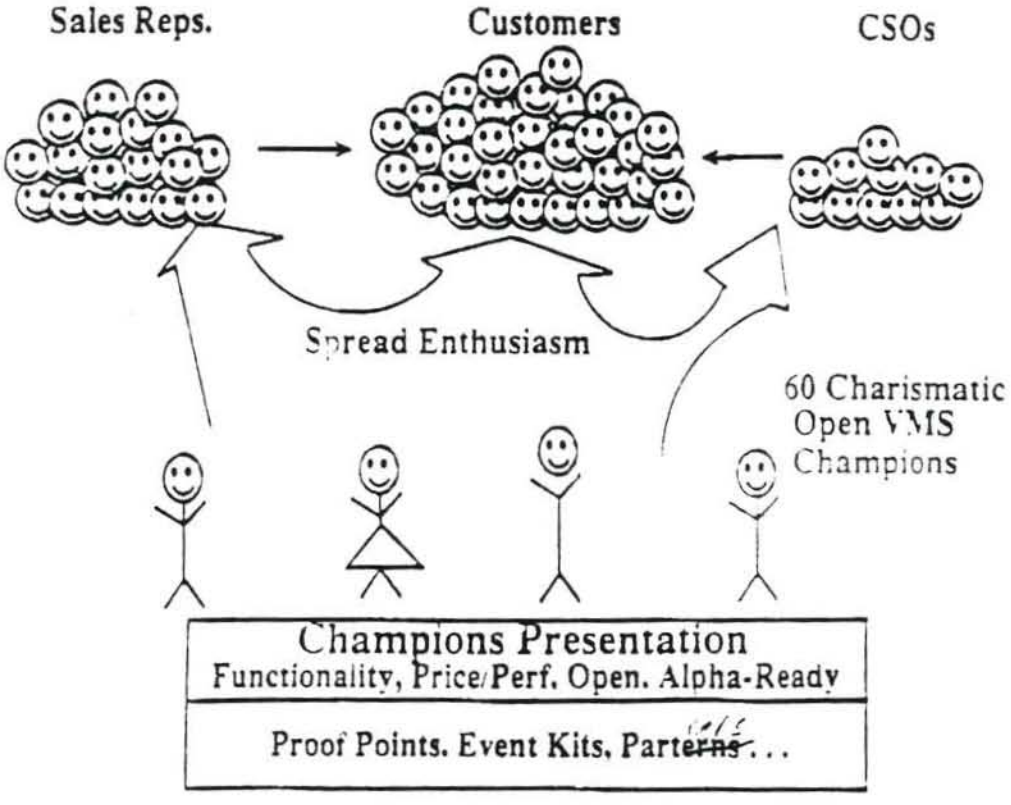
1. OpenVMS PROGRAM

OBJECTIVE

Turnaround the decline in VAX revenue, by Spreading New Enthusiasm:

1. OpenVMS is Open
2. OpenVMS is a Price/Performance leader (again)
3. OpenVMS is the Functionality leader (still)
4. All OpenVMS systems are Alpha-ready now





OpenVMS Program

FY93 Action Plan: GIS/USA
Base Plan

U.S. OpenVMS CERTS (GROSS MARGIN 60%)
% CHANGE VS. LAST YEAR
FY92 Actuals

1	2	3	4
-30%	-17%	+1%	

GIS Marketing Provides	U.S.Area Provides - (Rick Frazier - Coordinator)
1. Senior Management participation/review - Manage bi-monthly Corporate review of the worldwide program	Manage monthly U.S. area review of program implementation, results and issues
2. Major Announcement/Rallying Points: $M 2 Oct 91 - NVAX July 92 - OpenVMS Nov 92 - Alpha	Use as Rallying points for most everything in this plan, and get 90% of Sales Management aware
3. Support the "OpenVMS Champions" and "OpenVMS Partners" 1 - training materials, help line, presentations, training, expenditure issues into VSS Engineering	10 full time OpenVMS Champions (from 6), by Sept. 10 part time - Visit top 200 accounts and top 100 CSO's, twice - Train Sales: 95% Aware, 67% Fluent - 80 OpenVMS Partners

GIS Marketing Provides (Cont.)

	$M
4. "Air Cover" to support the Champions **- Customer event kits, adver. strategy, P.R., direct mail templates, On Tour**	**3**
5. Sales Rep 'Proof Points" and Help **- Presentations, videos testimonials, demos, brochures analysts reports,** **- Handle 5000 calls for help**	**3**
6. CSO Training and Support and help IBU's translate to Industry Advantage	**3**
7. Reduce price premium vs. RISC/UNIX, and market easy ADVANTAGE-SERVER's	**1**
TOTAL INVESTMENT (Worldwide)	**$ 12M**

U.S.Area Provides - (Rick Frazier - Coordinator)

Run OpenVMS Customer (10000) events (July-Sept). Use On Tour, run Alpha events (Dec-Apr) 25000, direct mail 2 million pieces, lean on IBU & Corp. to advertise OpenVMS

. Make readily available to 80% of all sales and support
. Feedback quarterly on what works best and desires

Spread OpenVMS enthusiasm to Account Managers
- 95% Aware - 67% Fluent
- Communicate Industry message to accounts

. Lead with Advantage-Servers in Direct Sales
. Price "4000's" to $110K in July

OpenVMS Program
GIS MARKETING DOES

1. Facilitate the flow of materials and ideas from IBU to VSS Mktg and Eng. (both ways)

2. Provide templates for industries to build on: message, ad, mailer, etc.

3. Provide training for IBU's

FY93 ACTION PLANS: GIS/IBU
IBU DOES:

1. Get on board all 3 announcements with below activities, and get: 95% IBU personnel aware, 4 0% fluent
2. Provide Industry Translations of sales tools, proof points, help line, etc.
3. Promote and help sell OpenVMS, especially in selected industries
4. Applications
   a. Higher level of support for top 100
   b. Move top 200 to Alpha, 1000 others
   c. Move 25 key new downsizing applications to OpenVMS VAX
   d. Move 25 key UNIX applications to OpenVMS
   e. Move 15 selected leading edge applications to OpenVMS/ Alpha
5. Advertise OpenVMS in Verticals & 1/3 of Corporate Testimonials (1/3)

Measurement

. % Passes "Fluent Test"

. Sales tools that the U.S. re-orders (and international's translate)

. Certs up 20% in 8 selected industries

. Their certs up 40%, increase our share CSO's business by 30% Available (1/2 Jan/ 1/2 April) By year end

. Running by Nov. selling by March

. By tbd

. Awareness in 10 industry up 250% among target cust.

GLOBAL NETWORK CAMPAIGN

PROGRAM	INVEST	U.S./EUROPE/GIA
1. PACKAGED NETS . Training (Sales, Sales Support) . MARCOM (Literature, Sales Tools, Events) . "Network Partners Support" . Competitive Analysis . Network Solutions Support for Downsizing Program . IBM Interconnect Program	$7M	. Increase network literacy for top 20% of field . Active support for "Partners Program (75) . Provide 5 network competent course instructors . Provide 7 R55 Specialists in CXO . Add network content to all "personal training" plans
2. GLOBAL NETWORK SALES PROGRAM . Targeted Account Program (15 sales > $2m) . Network consulting seminars (1/Q/geography.) . Bid proposal support	$4M	. Identify to 50 network opportunities in each geography . Provide min. of 1 sales + sales support/ district/country goaled to a network #
3. BANDWIDTH INTENSIVE NETWORK . Package/sell FDDI & multi-media software . Package/sell FDDI & clusters & "Gigaswitch"	$2M	. Active support for "Partners" program . Provide area Marketing program support for each targetted program as identified (1 designated driver/program
4. MODULAR WIDE-AREA NETWORK SOLUTIONS PROGRAM . "WAN-HUBS" for High-speed Telecom Services . "Gigaswitch" for Metropolitan Area Networks . Mobile Data Solutions	$2.4M	. Active support for "Partners Program" . Provide Area Marketing Program support for each targetted program as identified (1 designated driver/program)
5. OEM/SYSTEMS INTEGRATION PROGRAM . Recruitment - (3) new OEMs, (5) new CSOs . Japan/Europe Development	$2.6M	. Dedicated channels account management suppor for each CSO . Unified sales/support strategy for all channels . Provide a dedicated driver for each channels program

SERVICES	IBU's
1. . Goal NIS Organization in field to sell NAC products . Active support for "Partners" Program (35) . Provide a service team rep. to partner with Sales/Sales support network team . Add network content to all services "personal training plans"	. Provide 1 dedicated network-focused driven per targetted IBU (telecom, banking, healthcare) . Identify 5 qualified network sales opportunity per targetted IBU
2. . Identify 1 greater than $2m opportunity per person in NIS . Have Max Mayer include global networking in all systems integration opportunities where appropriate	. Provide industry-specific information to support SI opportunities
3. . Create service solution packages tailored to high bandwidth application requirements	. Provide 1 dedicated program driver per targetted IBU
4. . Create service solution packages tailored to modular wide-area network requirements	. Provide 1 dedicated program driver per targetted IBU
5. . Create 5 discountable *network service packages for CSO resale (*critical requirement for resellers) . Provide a minimum of 1 channel support person/area	. Run 1 CSO marketing program/IBU

GLOBAL NETWORK C IPAIGN - CHART 3B

1. **PACKAGED MODULAR NETWORKS SOLUTIONS** - The goal is to develop, test, and deploy network solutions which support downsizing, global nets, key IBU applications, system integration, and Alpha-specific environments. Colatteral material, training modules and sales support materials are included.

PROGRAM	U.S./EUROPE/GIA	SERVICE	IBU
ALPHA NETWORKING PROGRAM			
• Launch, Q2 and Q4	120 "Network partners" trained	800 NIS trained	1 per IBU trained
ADVANTAGE-NETWORKS SOLUTION PROGRAM			
• Solutions Guide, Q2	120 "Network partners," all account teams trained	100 NIS trained	1 per IBU trained
NETWORK SOLUTIONS SUPPORT FOR DOWNSIZING PROGRAM			
• IBM Interconnect Solutions Guide - Q1	120 "Network partners," all account teams trained	100 NIS trained	1 per IBU
• Branch Banking Integration of LANs to IBM mainframe and headquarters client/server environments. Roll-out in Q3.	Account teams trained for 20 accounts	5 NIS trained	IBU marketing and trade show support Joint demos
INFRASTRUCTURE			
TRAINING, to increase field network competency			
• Focus Technical College - Pilot Q1, Deliver Q3, Q4	80 Sales Support, 10 CSO	13 NIS trained	
• Open Network Education - Pilot Q1, Rollout FY93	535 Sales	53 NIS trained	1 per IBU
• Network University - Q1, Q3	200 Sales Support Assume mgt responsibilty in Q3	800 NIS trained	2 per IBU

PROGRAM	U.S./EUROPE/GIA	SERVICE	IBU
MARCOM, sales support, collateral & marketing events			
• Literature (e.g. on-line documentation)	OPAL, PRIMA-OLIS		
• Sales Tools (e.g. Buyer's Guide)	Distribution		
• Events (e.g. InterOp)	Customer Acquisition	Staffing	Customer Acq.
	Staffing		Applications
NETWORK PARTNERS PROGRAM			
COMPETITIVE ANALYSIS, to understand markets and market participants			
• Customer requirements analysis			
• Network solution competitive analysis			

2. GLOBAL NETWORK SALES PROGRAM - The goal of this program is to target and close large networks business through key account and consulting programs, seminar selling, and bid support integration with the field.

PROGRAM	U.S./EUROPE/GIA	SERVICE	IBU
TARGETED ACCOUNTS PROGRAM			
• NaC Fellowship 1/Q	Identify 35 Candidates	Identify 20 Candidates	Identify 5 Cand/IBU
• Enterprise Key Account Program FY93	1 partner assigned to each account (50 accts.)	1 services assigned per account	1 key account per IBU
NETWORK CONSULTING SEMINARS			
• Account Consulting Programs 1/Q	Partner and acct. team support and qualification 10 accounts/session	Services support	1 IBU
• Global Network Seminar Selling	Deliver 1/Q/Area	Support delivery	Package and deliver 1/Q/IBU
BID PROPOSAL SUPPORT			
• Bid Center Support	Open database for account status	Open database for account status	
• Customer Database for RFP support and market req.	Win/loss reports Include networking in account plans	Win/loss reports	

3. BANDWIDTH INTENSIVE NETWORK SOLUTIONS PROGRAM - The goal of this program is to drive Digital's FDDI and high speed switching business through packaging and delivery of bandwidth intensive solutions (e.g., multimedia and clusters.)

PROGRAM	U.S./EUROPE/GIA	SERVICES	IBU
PACKAGE/SELL FDDI & MULTI-MEDIA SOFTWARE			
• FDDI Seminar Program	Deliver 1 seminar per quarter per area assign area drive	Participate in everyone	Package and deliver 1 seminar per quarter per IBU
PACKAGE/SELL FDDI WITH CLUSTERS AND GIGA SWITCH			
• Gigaswitch Networking Launch (Q2) and FDDI Controller Launch	120 partners trained	800 NIS trained	1/IBU trained
• Gigaswitch campaign with Sales Solution Set Guide, Direct Marketing and ATM competitive positioning paper (Q2)	60 partners trained	60 NIS trained	1/IBU trained
• High speed LANs for key banking applications	Training per geography: -10 named account teams -3 CSO's	15 NIS trained	Joint marketing: -Demo development -Trade shows
• Alpha package for high speed network applications in Q2	120 partners trained Demo running at field demo centers	60 NIS trained	Joint demo development with Alpha program

4. k. DULAR WIDE-AREA NETWORK SOLUTIONS PROG .MS - The goal of this program is to drive Digital's wide a and metropolitan area business in both private and public networking markets. This program includes market development for mobile data networking solutions.

PROGRAM	U.S./EUROPE/GIA	SERVICES	IBU
"WAN-HUBS" FOR HIGH SPEED TELECOMMUNICATIONS SERVICES			
• WAN-HUB Networking Launch (Q2)	120 partners trained	800 NIS trained	1/IBU trained
• WAN-HUB Campaign with Sales Solution Set Guide, Direct Marketing and Public Network White Paper (Q2)	60 partners trained	60 NIS trained	1/IBU trained
• Frame Relay Network Solution for PTTs, RBOCs and world-wide carriers (e.g., AT&T) to implement Datacom LAN-to-LAN Services	Training per geography: -10 named account teams -20 "Network partners"	15 NIS trained 1 senior business consultant Network accounting package developed	Joint marketing: -Trade show support -Public relations 1 IBU trained
• LAN Interconnect Value Added Network Solution for PTTs and RBOCs	Training per geography: -5 named account teams -3 "Network partners"	6 NIS trained Network accounting package developed	Joint marketing: -Public relations 1 IBU trained
• Banking Enterprise Network Solution	Training per geography: -5named account teams -3 "Network partners"	6 NIS trained Network accounting and security package developed	Joint marketing: -Trade shows -Public relations
"GIGASWITCH" FOR METROPOLITAN AREA NETWORKS (MAN)			
• Metro Area Network Public or Private for PTTs, RBOCs, and Key Accounts	Training per geography: -10 named account teams -10 "Network partners"	12 NIS trained	Joint marketing: -Demo development -Public relations
MOBILE DATA SOLUTIONS			
• Mobile Data Networking Solution Guide (Q3)	20 partners trained	20 NIS trained	1/IBU trained

5. OEM/SYSTEMS INTEGRATION PROGRAM - The goal of the program is to develop new OEMs, CSOs, and Systems Integration in support of the above programs. Second, this program develops the geographic "reach" in both Japan and Europe.

PROGRAM	U.S./EUROPE/GIA	SERVICES	IBU
RECRUITMENT (3) NEW OEMs, (5) NEW CSOs • Identify prospects Q1 • Signed (Q3) • CSO training 9 cities in FY93 • Recruit (4) Systems Integrators	Targetted Acct. mgmt. support USDS fund delivery Targetted Acct. mgmt. support	Package services for re-sale Co-develop content	1 IBU trained
JAPAN/EUROPE DEVELOPMENT • Japan start-up plan Q1 • Europe start-up plan Q1	Assign NW resource to drive program 1 channel support/area	1 channel support/area	
6 HEALTH CARE CSOs • Develop modular network packages	6 account teams trained 15 "Network partners" trained	10 NIS trained Gold-key service packages developed	Joint marketing: -Trade shows -User groups

GIS APPLICATIONS
RESPONSIBILITY MAP

GIS ACTION	SALES ACTION	SERVICE ACTION	IBU ACTION
Establish CFO & CIO Solutions Program and insure that the "Top 10" FABS, Cohesion, Ploycenter and Database CSO's are on Digital platforms (VAX & Alpha) Characterize Top 5 partners' applications on appropriate Digital platforms	Integrate all existing FABS and I/S-related sales support resources into focused GIS Sales Support Practice and insure that every account group has access to resources Integrate all existing CSO sales resources into focused GIS CSO "Sell-With" sales team (insure that every key partner has coverage)	Integrate all existing FABS and I/S-related consulting, service & systems integration resources into focused GIS SI Practice Establish training and certification process to insure that all SI personnel are "Commerical Ready" (e.g. Cohesion & TP competent)	Expand industry specific CFO and CIO solutions programs (actions required vary by IBU and appplication set) Establish "5x5" applications program (for top 5 industry-specifc applications recruit top 5 application vendors)
Establish ("For-profit") FABS, CASE, Ploycenter and 3rd party Database software distribution program	Establish direct sales program to support GIS Database, Case and Ploycenter software distribution program	Establish dedicated ("For-Fee") CSO implementation practices for key third parties (SAP, Oracle, Sybase, Ross, DBS, Cognos, etc.)	Positive re-positioning of third party database and tools vendors with Digital software (joint program with GIS , Sales & TNSG)
Revamp partner programs to regain "Best in Class" status Work with the IBUs to establish qualification process to optimize CSO/customer selection	Establish Platform Incentive Program (requires new & lower cost of selling model) Re-institute account team CSO training (e.g. STAR Seminars)	Revamp SI Partner programs to eliminate conflicts with third party consulting organizations. Provide "2-way incentives" (they sell our platforms - we sell their services)	Identify and recruit Top 3 independent SI partners for each industry and establish ("For Profit") SI Priming programs for use by account teams
Develop customer focused Re-engineering, Client-server and Downsizing market programs/sales campaigns	Implement Country specific CLFs and Executive Events in support of these programs	Expand Re-engineering Business Practice to national level Establish Client-Server Architecture and Implementation Practice	Integrate Downsizing, Re-engineering and Client-server themes in all customer and sales training activities

FABS Marketing
FY93 Operations Plan

June 16, 1992

FABS
FY93 Operations Plan

Content

- Financial Summary
- FABS FY93 Programs
  - Market Leaders
  - Emerging Applications
  - Data Warehouse
  - Premier Partner Program
  - Core Business Process Re-Engineering
  - Industry/Product Marketing
  - International Development

FABS SUMMARY
CAMPAIGN/PROGRAM SUMMARY

CAMPAIGN/Program	HEADCOUNT FY92	HEADCOUNT FY93	HEADCOUNT FY94	BUDGET ($K) FY92	BUDGET ($K) FY93	BUDGET ($K) FY94
APPLICATION ACQUISITION						
Market Leaders		8	8		$1,800	$1,800
Emerging Applications		3	3		$630	$630
subtotal		11	11		$2,430	$2,430
SOLUTIONS						
Data Warehouse		4	4		$750	$750
CHANNELS						
Premier Partner Program		3	3		$600	$600
MARKETING PROGRAMS						
Core Business Process Re-Engineering		8	8		$2,150	$2,150
Industry/Product Marketing		12	12		$1,800	$1,800
International Development		4	4		$2,070	$2,070
subtotal		24	24		$6,020	$6,020
TOTAL CAMPAIGNS	58	42	42	$12,100	$9,800	$9,800
ADMIN SERVICES	6	4	4	$1,200	$800	$800
GRAND TOTAL	64	46	46	$13,300	$10,600	$10,600
R ($M)				$308	$330	$377

GIS CAMPAIGN
APPLICATION ACQUISITION

FABS Program	Market Leaders
DRI:	Darryl Johnson
Description:	Drive Digital revenues through effective marketing and technical partnerships with leading worldwide FABS CSO's.
Goals:	Generate revenue on VAX/VMS and RISC/Ultrix platforms through CSO partnerships.
	Insure these partners migrate to ALPHA environments.

GIS Responsibilities:

Capture the FABS CSO's competitive installed base as they plan for downsizing from Mainframes, Migrating to Open Systems, replacing Wang, etc.(Computron/Wang Q1, DBS/IBM Q2, SAP on-going)

Execute product roll-out campaigns with partners as they deliver new Digital based solution offerings (Ross Systems for RISC/ Ultrix Q3, Lawson Q1, PeopleSoft Q2, DBS Q3 etc.)

Insure SAP delivers and markets a Digital platform based offering at their FCS for R/3, their new client/server open product.(Q1-Germany, Q2-US, Q3-Japan)

Further drive the development of OSF based offerings from FABS CSO's particular focusing on those that currently offer a competitive UNIX product offering (Computron Q2, Oracle, DBS, SAP on-going, CODA Q2)

Insure that key third parties port to ALPHA/VMS and ALPHA/OSF by FCS including SAP, Oracle, Ross Systems and DBS. (See FABS/ALPHA plan for full details)

Key Dependencies:

TNSG	Provision of Commercial application development environment for ALPHA server environments (OSF and VMS), including compilers, tools and databases as currently committed (see FABS/ALPHA plan for full details).
IBU's	Expand portfolio of industry specific FABS solutions for VAX/VMS and RISC/Ultrix (OSF) - (Lawson Retail/Q3, Price Waterhouse Oil & Gas/Q4, Telecom-AMS/Q4)
	Insure Industry specific FABS CSO's port to ALPHA environments in support of FCS.

Sales	Expand current US FABS sales support programs worldwide, integrate same into GIS Sales Support practice. (France/Q2, Germany/Q1, Canada/Q1)
	Provide FABS focused CSO sales resources coverage for every key partner and integrate into GIS CSO "Sell-With" team. (SAP/Q3, Dodge Group/Q4, Lawson/Q1, PeopleSoft/Q1)

Investment:	FY93	FY94
Headcount	8	8
Budget	$1,800K	$1,800K

GIS CAMPAIGN
APPLICATION ACQUISITION

FABS Program: Emerging Applications

DRI: Darryl Johnson

Description: Recruit new application partners to the ALPHA platform/environments.

Goals: Utilize ALPHA to capture Market leading CSO's which only offer competitive platform based solutions particularly on the AS400.

GIS Responsibilities:

Win commitment to develop, market and sell ALPHA based products from targeted CSO's. (see FABS ALPHA Plan for full details)

Provide ALPHA seed units and engineering support to ensure the effective utilization of ALPHA technology.

Key Dependencies:

Group	Dependency
TNSG	Acquire or develop required application development components necessary to effectively migrate AS400 FABS applications to the ALPHA platform. (commitment needed in Q1)
IBU's	Provision of seed units and engineering support through the efforts of the ALPHA program office. (per submitted FABS/ALPHA plan)

Investment:	FY93	FY94
Headcount	3	3
Budget	$630K	$630K

GIS CAMPAIGN
SOLUTIONS

FABS Program: Data Warehouse

DRI: Darryl Johnson

Description: Package and market Accessworks, FABS Consulting and implementation services to meet the information delivery needs of the CFO and his/her staff.

Goals: Solve our customer information delivery needs.

GIS Responsibilities:

Deliver the Accessworks/Data Warehouse product option to market. (Q3)

Complete the service product offerings in support of the complete "Data Warehouse" project life cycle. (Q3)

Characterize the Performance of the Accessworks/Data Warehouse solution. (Q2)

Key Dependencies:

Group	Dependency
TNSG	Commitment to provide Data Warehouse as a standard product capability to the Accessworks program. (Q1)
	Acceptance and delivery of the IM&T catalog as the first DEC standard product module in the above program. (Q3)
	Extend current Accessworks/local store capability to include leading third party databases including Oracle, Sybase, Ingress etc. (Q2)
	Extend Interoperability options of Accessworks to support top 20 leading databases as well as their operating environments. (Q1)
VSS	Extend Accessworks platform support to include RISC/Ultrix/Q2 and OSF/Q4, ALPHA/OSF/Q3 and VMS/Q3 and ALPHA/NT/Q4.
Services	Identify and train capable delivery resources to support Data Warehouse implementation projects (Q2).
IBU	Develop industry specific solutions from Accessworks/Data Warehouse products. (Healthcare/Q2, Telecom/Q2, Electronics/Q3)

Investment:

	FY93	FY94
Headcount	4	4
Budget	$750K	$750K

GIS CAMPAIGN
CHANNELS

FABS Program: Premier Partner Program

DRI: Darryl Johnson

Description: Establish a select Partner Priming Program to allow Digital to provide more complete FABS solutions to our customers.

Goals: Incremental revenue generation through delivery of Digital provide services in support of customer implementation of FABS solutions.

GIS Responsibilities:

Establish standard terms for the priming and distribution of key FABS CSO applications. (Ross/Q1, Cyborg/Q1,DBS/Q2, PeopleSoft/Q2, Holistic/Q2)

Deliver sales tools allowing account teams to effectively bid these CSO applications, including, priming guide, sizing guidelines, expert sales support training, etc. (Q1)

In cooperation with IBU's establish Qualification process for account teams to use for CSO/Customer selection process. (Pilot with Healthcare in Q1)

Key Dependencies:

Group	Dependency
Services	Develop European FABS knowledgeable Consulting, Services and Systems integration practice. (US continue, UK expand in Q1, Germany in Q2, Japan in Q3)
	Establish and execute training and certification process to insure all SI personnel are "commercial ready" (Q1).
	Establish ("For-Fee") CSO implementation practices for key third parties. (SAP center of expertise- US/Q1, Germany/Q1)
	Revamp SI Partner programs to reduce conflict and improve effectiveness. (Pilot with Price Waterhouse in Q2)
Sales	Identify direct sales resources to sell these applications and services. (Pilot in US Central Region Q1)
	Develop and implement Platform third party (CSO's and SI partners) incentive program. (Pilot with Oracle in Q2)
	Re-institute account team CSO training programs (e.g. STAR seminars) (US/Q1, UK/Q2, Canada/Q3, France/Q2)

TNSG	Develop and execute an effective 3rd party database vendor and tools partnership program insuring their support for ALPHA environments. (Oracle/Q1, Ingres/Q1)
IBU	Identify and recruit top 3 independent SI partners for each industry.
	Establish SI priming programs for use by Account teams. (Pilot for SAP priming in Q1, Oracle in Q2)

Investment:	FY93	FY94
Headcount	3	3
Budget	$600K	$600K

GIS CAMPAIGN
MARKET PROGRAMS

FABS Program: Core Business Process Re-engineering

DRI: Jeff Johanson

Description: Simplify and make it easier for account groups to sell FABS solutions by creating programs which stimulate customer interest and provide sales tools that assist sales responsiveness.

Goals: Dramatically increase customer executive (CFO and staff) contacts by our account teams in targeted accounts worldwide.

GIS Responsibilities:

Insure current FABS Executive programs continue to address key issues facing CFO's and their staffs. (Complete in Q1)

Aggressively execute the FABS CLF program internationally (75-100 attendees per event) while considering local country differences and maintaining its quality. (New Brunswick/Q1, Banff/Q3, Gleneagles/Q2&3, Germany/Q3, Paris/Q3, Tucson/Q2, Westford/Q1, Naples/Q3, Atlanta/Q2, Santa Clara/Q4)

Key Dependencies:

Group	Dependency
IBU's	Deliver on partnership activities with FABS in FY93 including co-investment dollars, program development and program execution. (Resources and programs committed in Q1, FABS in IBU Kickoffs Q1 & Q2, Account Planning - ongoing)
Sales	Support attendance by the CFO and his/her staff (75 - 100 per CLF)
	Insure follow-up occurs for identified account opportunities. (Account teams attend CLF's with customers for training)

Investment:

	FY93	FY94
Headcount	8	8
Budget	$2,150K	$2,150K

GIS CAMPAIGN
MARKET PROGRAMS

FABS Program: Industry/Product Marketing

DRI: Jeff Johanson

Description: Utilize Digital wide marketing initiatives and aggressive market development in targeted industries to generate demand with resulting revenue.

Goals: Optimize FABS leverage of major product roll-out campaigns.

Maximize communication to the field and customers for FABS solutions.

GIS Responsibilities:

Continue delivery of effective field communications including FABS newsletter, PR, Wins Reporting, etc. (on-going)

Implement training to improve our field competency to sell/support FABS solutions. (utilize IBU kickoff in Q1 & Q2)

Develop and deliver effective campaigns to insure FABS messages are delivered. (See FABS industry plans for details).

Key Dependencies:

Group	Dependency
IBU	Allow FABS participation in training/development programs.

Investment:	FY93	FY94
Headcount	12	12
Budget	$1,800K	$1,800K

GIS CAMPAIGN
Marketing Programs

FABS Program:	International Development
DRI:	Darryl Johnson & Jeff Johanson
Description:	Extend FABS direct resources internationally
Goals:	Insure sufficient Direct FABS core team is in place to drive our efforts in each geography.
	Leverage Digital's internal expertise to provide support to our account teams in establishing peer-to-peer relationships.

GIS Responsibilities:

Develop and extend partnerships with Digital's Finance and DIM&T organizations worldwide. (on-going)

Increase/further develop direct FABS resources within targeted countries - UK, Germany, France, Canada, Japan. (SAP expertise center- Europe/Q1, Japan/Q2, Commitment for current resources/Q1)

Key Dependencies:

Group	Dependency
IBU	Insure FY93 plans include FABS worldwide
	Maintain current support levels for FABS FY93 initiatives worldwide.
	SAP program funding support - Chemical $150K, Pharmaceutical $100K, Electronics $100K, CPG $150K, Oil & Gas 100K.

Investment:	FY93	FY94
Headcount	4	4
Budget	$2,070K	$2,070K

ADSG/COHESION

FY93 GIS Campaign Detail

Murray Copp
ADSG

ADSG SUMMARY
CAMPAIGN/PROGRAM SUMMARY

CAMPAIGN/Program	HEADCOUNT FY92	HEADCOUNT FY93	HEADCOUNT FY94	BUDGET ($K) FY92	BUDGET ($K) FY93	BUDGET ($K) FY94
APPLICATION ACQUISITION	-	-	-	-	-	-
SOLUTIONS						
Cohesion for Rapid Development/ Transaction Processing		6	7		$892	$900
Cohesion S/W Re-Engineering and Migration		5	5		$870	$900
subtotal	12	11	12	$1,800	$1,762	$1,800
ANNELS						
Cohesion CSO Business Partnering	8	6	6	$1,000	$850	$900
MARKETING PROGRAMS						
Cohesion Field Readiness/ Market Awareness	9	6	6	$1,600	$908	$1,000
TOTAL CAMPAIGNS	29	23	24	$4,400	$3,520	$3,700
ADMIN SERVICES (included in above)						
GRAND TOTAL	29	23	24	$4,400	$3,520	$3,700
IBU NOR ($M)				$1,100	$1,200	$1,400
TWARE NOR ($M)				$170	$200	$240

GIS CAMPAIGN SOLUTIONS

ADSG Program: COHESION for Rapid Development/Transaction Processing

Program Description:

Configure and market COHESION solutions for the development of medium-large scale new applications that can be deployed in a centralized or client/server environment.

DRI: Henry Morris/Terry Condon (ADSG)

Program Goal: Support GIS's new business programs by providing an integrated, flexible development environment together with a range of services from strategy to assessment to implementation -- presented in a way that is easier to sell and satisfies customer requirements..

GIS Responsibilities:

1. System engineering and marketing for COHESION for Rapid Development/RALLY (Q1-Q2).
2. Negotiate and sign the joint development, marketing, and sales agreement with Andersen Consulting (Q1 93). Monitor and support Andersen's engineering effort during 93 and 94. Solicit and manage DEC's investment in the migration of Andersen's FOUNDATION product to OSF Alpha ($1.5M).
3. Position options in this space to simplify the task of an account to configure the right solution for a given set of customer requirements.
4. Develop sales collateral and training materials.

Key Dependencies:

Sales Responsibilities:

1. Develop and deliver seminar program for COHESION for Rapid Development/RALLY (Q1-Q2).
2. Create a positive/proactive joint selling program with Andersen (through FY93).

Services Responsibilities:

1. Train delivery resources for COHESION for Rapid Development/RALLY (Q1).
2. Develop a plan with Andersen to share services revenue from FOUNDATION sales.