

**WORLDWIDE  
BUSINESS UNIT TERRITORY PARTNERING MEETING  
AGENDA**

**Monday, March 1, 1993  
Tara North  
Sheraton Tara Hotel  
Nashua, New Hampshire**

<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
12:00 - 1:30	- Lunch - (All meals are in the back of the Upper Crust Restaurant)	
1:30 - 2:00	Introduction of Participants	Chris Drew
2:00 - 2:30	Context Setting for Business Planning	Bob Palmer
2:30 - 3:15	The Company Transformation	Adriana Stadecker
3:15 - 4:00	FY94/95 Business Planning	Henry Ancona
4:00 - 4:30	- Break -	
4:30 - 5:15	Partnership Agreements	Tom Richardson
5:15 - 6:00	Selling Models	Ron Bunker
6:00 - 6:30	Wrap-up	
6:30 - 7:30	Social Hour	
7:30	- Dinner - (All meals are in the back of the Upper Crust Restaurant)	

**WORLDWIDE  
BUSINESS UNIT TERRITORY PARTNERING MEETING  
AGENDA**

**Tuesday, March 2, 1993  
Tara North  
Sheraton Tara Hotel  
Nashua, New Hampshire**

<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
7:00 - 8:20	- Breakfast - (All meals are in the back of the Upper Crust Restaurant)	
8:20 -	Agenda Review	<b>Business Unit Managers</b>
8:25	Business Unit Presentations	
8:50	Components and Peripherals	
8:50	Storage	
9:20	Discrete Manufacturing & Defense	
9:45	Financial, Professional & Public Services	
10:10	- Break -	
10:40	Consumer & Process Manufacturing	
11:05	PCs	
11:30	Communication, Education & Entertainment	
11:55	Health Industries	
12:20	Multivendor Customer Services	
12:45 - 1:40	- Lunch -	
1:40 - 3:45	Bilateral Exchanges (Refer to Bilateral Exchange Schedule)	<b>Business Unit Managers &amp; Territory Managers</b>
3:45 - 4:15	- Break -	
4:15 - 6:30	Continue Bilateral Exchanges	
6:30 - 7:30	Social Hour	
7:30	- Dinner - (All meals are in the back of the Upper Crust Restaurant)	

## Bi Lateral Exchange Schedule

	Room #155	Room #157	Room #158	Room #159	Room #160	Room #161	Room #162	Room #163	Room #164	*	
	Health	Discrete Mfg & Defense	Finance, Prof & Public	Consumer & Process	Comm'n, Educ'n & Media	Storage	PC	Components & Periph	MCS	Free Time	
Day 2	1:40 - 2:20	Eur T2	Germany	LACR	Nordic	France	Canada	US	BEN'L/SWZ	Italy	UK, SPR, Asia, Japan
	2:25 - 3:05	UK	Italy	SPR	Eur T2	LACR	France	Asia	Nordic	BEN'L/SWZ	US, Germany, Japan, Canada
	3:10 - 3:50	Italy	UK	Canada	Germany	SPR	Japan	France	Asia	Nordic	Eur T2, LACR, BEN'L/SWZ, US
	Break										
	4:30 - 5:10	US	Asia	Italy	UK	Germany	Nordic	Japan	Eur T2	Canada	BEN'L/SWZ, France, SPR, LACR
	5:15 - 5:55	BEN'L/SWZ	Eur T2	Asia	Italy	UK	Germany	SPR	Japan	France	LACR, Nordic Canada, US
	6:00 - 6:40	France	BEN'L/SWZ	<del>US</del>	Asia	Italy	UK	Germany	SPR	Japan	LACR, Nordic Canada, Eur T2
Day 3	8:00 - 8:40	Japan	US	Germany	France	Asia	SPR	BEN'L/SWZ	LACR	UK	Eur T2, Italy Canada, Nordic
	8:45 - 9:25	Nordic	SPR	Japan	LACR	Eur T2	Asia	Canada	UK	Germany	Italy, France, BEN'L/SWZ, US
	9:30 - 10:10	Canada	Japan	France	SPR	Nordic	US	LACR	Italy	Eur T2	BEN'L/SWZ, UK, Asia, Germany

\* King Edward, King Richard, and Ros Common rooms are available for meetings.

**WORLDWIDE BUSINESS - TERRITORY PARTNERING MEETING  
AGENDA**

**Wednesday, March 3, 1993  
Tara North  
Sheraton Tara Hotel  
Nashua, New Hampshire**

<u>Time</u>	<u>Topic</u>	<u>Presenter</u>
7:00 - 8:10	Breakfast and Check In (All meals are in the back of the Upper Crust Restaurant)	
8:10 - 10:15	Continue Bilateral Exchanges	Business Unit Managers & Territory Managers
10:15 - 10:30	- Break -	
10:30 - 11:00	Continue Bilateral Exchanges	Business Unit Managers & Territory Managers
11:00 - 1:00	Plenary Session - Summary of Major Outcomes and Next Steps Wrap-up	
1:00	- Lunch - (All meals are in the back of the Upper Crust Restaurant)	

**WORLDWIDE PARTNERING MEETING  
MARCH 1, 2, & 3, 1993  
ATTENDEES**

<u>Business Unit Mgr.</u>	<u>Business Unit</u>	<u>DTN/Phone</u>
Larry Cabrinety	Components and Peripherals	235-8209
Charlie Christ	Storage	223-2747
John Klein	Consumer and Process Manufacturing	223-2900
Paul Kozlowski	Communication, Education and Entertainment	223-1600
Frank McCabe	Discrete Manufacturing and Defense	223-4597
Enrico Pesatori	Personal Computers	223-9040
John Rando	Multivendor Customer Services	276-8367
Bruce Ryan	Financial, Professional and Public Services	297-8302
Willow Shire	Health Industries	297-2443

<u>Territory Mgr.</u>	<u>Territory</u>	<u>DTN/Phone</u>
Russ Gullotti	United States	264-6209
Richard Finn	Latin America & Caribbean	655-6420
Graham Long	Asia	805-4388
Ron Larkin	South Pacific	61-2-561-5220
Ken Copeland	Canada	637-3233
Edmund Reilly	Japan	81-3-989-7100
Geoff Shingles	United Kingdom and Ireland	830-3238
Alberto Fresco	Spain, Portugal, Austria, Israel, Poland, Hungary, Czechoslovakia, Russia, the Baltics, Ukraine, Greece, Turkey and Country Development Group (CDG)	821-4644
Hans Dirkmann	Germany	865-4468
Paul Van Der Spiegel	Switzerland, Belgium, Holland and Luxembourg	856-7000
Bo Dimert	Denmark, Norway, Sweden and Finland	876-8102
Mario Bonzano	Italy	793-8200
Michel Ferreboeuf	France	858-5012

<u>Area Mgr.</u>	<u>Area</u>	<u>DTN/Phone</u>
Bobby Choonavala	General International Area	244-6542
Dick Poulsen	Europe	821-4961

**WORLDWIDE PARTNERING MEETING  
MARCH 1, 2, & 3, 1993  
ATTENDEES**

**US Business Unit Mgr.**

**Business Unit**

**DTN/Phone**

Dennis Albano	Components and Peripherals	235-8180
Tom Colatosti	Discrete Manufacturing and Defense	274-6306
John Paget	Multivendor Customer Services	297-2029
Roger Rose	Consumer and Process Manufacturing	474-5100
Robert Russell	Financial, Public and Professional Services	295-6511
Al Hall	Communication, Education and Entertainment	
339-5831		

**EUR Business Unit Mgr.**

Sergio Giacoletto	Consumer and Process Manufacturing	821-4951
Gianni Messori	Multivendor Customer Services	858-5025
Jean-Claude Saintavit	Communication, Education and Entertainment	828-6041
Werner Burckhardt	Storage	864-4444
Barry Maloney	Components and Peripherals	821-4843
Wolfgang Jaeger	Discrete Manufacturing and Defense	821-4317
Per-Olof-Loof	Financial, Public and Professional Services	769-8080
Dan Burkus	Health Industries	297-3591

**GIA Business Unit Mgr.**

Frank Fortunato	Personal Computer Services	244-7229
Don Herbener	Multivendor Customer Services	244-6980
Ron Spinek	Financial, Professional and Public Services	244-6229
Bob Alessio	Consumer and Process Manufacturing	244-7239
Ron Parsons	Communication, Education and Entertainment	244-6646
Ron Wichter	Discrete Manufacturing and Defense	244-6242

**Office of the President**

**Responsibility**

Bob Palmer	Chief Executive Officer	223-6600
Vin Mullarkey	Corporate Controller	223-4447
Adriana Stadecker	Executive Operations	223-0999
Henry Ancona	Business Planning Director	223-9800

**WORLDWIDE PARTNERING MEETING  
MARCH 1, 2, & 3, 1993  
ATTENDEES**

<u>Attendees</u>	<u>Responsibility</u>	<u>DTN/Phone</u>
Rob Kass	European Logistics and Manufacturing	244-6558
Laurence Megson	Europe Organization Consultant	821-4086
Herman Oggel	European Professional Services	821-4933
Werner Oppliger	European Finance	821-4451
Dick Scarborough	Corporate Professional Services	264-1000
Peter Smith	European Sales and Marketing	821-4261
Dave Spratt	GIA Finance	244-6101
Terry Theret	Systems and Services Director, Japan	81-3-3989-7210
Ron Bunker	Corporate Sales	244-6746
 <u>Business Planning Staff</u>		
Bob Schmitt	United States	264-5662
Toni Steiner	Europe	821-4362
Ray Wood	GIA	244-6513
Clem O'Brien	Partnership Agreements	244-6567
Kathy Hill	Communications Manager	264-3137
Tom Richardson	Partnership Agreements	264-3961
Chris Drew	Business Planning Consultant	223-3297
Ellen Karp	Business Planning Consultant	821-4578
Shoaib Quraeshi	Corporate Budget Manager	223-4717
Mhairi Paget	Business Planning Process Manager	223-5663

<b>Business Architecture (Draft)</b>	<b>1</b>
<b>The Company Transformation</b>	<b>2</b>
<b>FY94/95 Business Planning</b>	<b>3</b>
<b>Partnership Agreements</b>	<b>4</b>
<b>Selling Models</b>	<b>5</b>
<b>Components and Peripherals</b>	<b>6</b>
<b>Storage</b>	<b>7</b>
<b>Discrete Manufacturing and Defense</b>	<b>8</b>
<b>Financial, Professional and Public Services</b>	<b>9</b>
<b>Consumer and Process Manufacturing</b>	<b>10</b>
<b>Personal Computers</b>	<b>11</b>
<b>Communication, Education and Entertainment</b>	<b>12</b>
<b>Health Industries</b>	<b>13</b>
<b>Multivendor Customer Services</b>	<b>14</b>
<b>Logistics/Notes</b>	<b>15</b>





# DIGITAL'S NEW BUSINESS ARCHITECTURE AN OVERVIEW

## I. CONTEXT

### I.1 Introduction

Digital has embarked on a radical but necessary transformation of the company. This transformation requires that all organizations, the Business Units, Territories and Functions, operate in a new way: one of 'no excuses' management; one of openness and willingness to talk about what is needed, what is possible and what our customers are saying.

We have no choice but to change. During the last fiscal year Digital lost \$2.8 billion. It has had no retained profit over the last five years. At the same time, shareholder value has collapsed by \$20 billion. It is the imperatives of this situation which drive change and which led to the creation of the new business architecture and a new way of doing business.

### I.2 Business Context

Digital's success was built in a business environment of explosive growth in Information Technology. The market was driven by technology. Power was in the hands of the supplier. Digital added value by focusing on developing complete systems for the customer and servicing them.

Today's business environment is radically different: aggressive competition characterized by price reductions, cost reductions and performance improvements at an astonishingly rapid rate. The cost of one MIP of processor performance has dropped from \$100,000 to \$100 in seven years. Product life cycles have dramatically shortened. Processor functionality and performance is increasing at least 100% every two years. These trends are likely to continue.

The performance revolution has resulted in an increasing polarization of the market. The high margin, value-added engineering incorporated into Digital's systems has become widely available at dramatically reduced cost on a handful of chips. Hardware is becoming a commodity. And pressure toward commodity status is spreading to software and services as well. This trend is likely to continue and expand. Power is now in the hands of the customer.

At the same time, the need for business-specific solutions that add clear value to customers in their business is increasing. So is the need for companies that can tie

together incompatible multivendor systems, and help to re-engineer IT infrastructures to take advantage of rapid technological developments and increasing price/performance.

Briefly stated, the market is splitting into a volume-driven commodity market and a value-driven solutions and systems integration market.

### **I.3 Digital Internal Context**

Digital's internal organization flourished and grew in the context of an earlier business model that assumed growth and a technology-driven and supplier-driven market.

In the context of a changed business environment, Digital's organization acted as a barrier to the focus and flexibility needed for success. Digital's matrix structure and consensus management obscured accountability. Competition was focused internally, not externally. Business units proliferated and caused organizational confusion that further clouded accountability. The result was a lack of focus on external competition and customers that disappointed customers, undermined market share, got in the way of developing new markets, and opened the door to our competitors.

## **II. STRUCTURE**

### **II.1 Why Business Units?**

The new business architecture is designed to address both the external and internal contexts within which Digital operates.

The external split between volume-driven and value-driven markets means that Digital must recognize that one business model is no longer sufficient for all its business. Volume-driven businesses have slim margins, mass distribution channels and commodity pricing. Value-driven markets are knowledge intensive with long sales cycles. Digital's organization must reflect that reality.

In other words, success depends on defining competitiveness in terms of satisfying a variety of customer needs, including the need to leverage their existing IT investments, while recognizing different customer buying patterns.

What is called for is an organizational structure in which the primary focus is on the customer; where there is clear accountability; and which is characterized by simplicity and speed. An organization that delivers customer business solutions as well as high-volume, low-cost commodity products.

To meet these needs, we created a small number of customer-driven global business units whose primary mission is to address complex customer-driven solutions in

industry, and a small number of commodity- oriented business units built upon our core competencies.

## **II.2 Which Business Units?**

The selection of Business Units is based on the principle that we need to focus on those markets where we can succeed, where we can clearly differentiate ourselves from the competition, and where our solutions add clear value as determined by customers. That means focusing on a portfolio of industry segments which have common business needs or share common business processes. The intent is to invest in those industries where we can be #1 or #2 in market share or which exhibit opportunities for significant revenue growth.

To define the Business Units, industry data, information technology spending and systems integration market size were carefully examined. Digital's strengths were assessed, both by industry and by solution. For example, we looked at the market for manufacturing execution systems across industries like aerospace, automotive and electronics.

Business Units were then defined based on the available opportunity over the next two years, Digital's ability to take advantage of that opportunity, and the barriers to our entering the market.

## **II.3 The Business Units and Their Leaders**

The nine Business Units chosen include five Customer Business Units and four Product and Service Business Units.

## Customer Business Units

DISCRETE MFG. & DEFENSE		CONSUMER & PROCESS MANUFACTURING		COMMUNICATION, EDUCATION & MEDIA	
Industry Segments	Solutions	Industry Segments	Solutions	Industry Segments	Solutions
<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Aerospace</li> <li>• Electronics</li> <li>• Defense</li> </ul>	<ul style="list-style-type: none"> <li>Mfg. Planning</li> <li>Mfg. Execution</li> <li>Engineering Product</li> <li>Data Management</li> <li>Defense Logistics/Intelligence</li> </ul>	<ul style="list-style-type: none"> <li>• Travel/Transportation</li> <li>• Consumer Packaged Goods</li> <li>• Retail/Wholesale</li> <li>• Chemical</li> <li>• Utilities</li> <li>• Environment</li> <li>• Forest, Mining, Metals &amp; Glass</li> <li>• Oil &amp; Gas</li> </ul>	<ul style="list-style-type: none"> <li>Quality Control</li> <li>Geographic Info Systems</li> <li>Customer Response Systems</li> <li>Sales Info. Systems</li> <li>Store Systems</li> </ul>	<ul style="list-style-type: none"> <li>• Telecom</li> <li>• Cable</li> <li>• Media</li> <li>• Entertainment</li> <li>• Education</li> </ul>	<ul style="list-style-type: none"> <li>Corp. Telecom</li> <li>Messaging</li> <li>Wireline</li> <li>Wireless</li> </ul>
FINANCIAL, PROFESSIONAL & PUBLIC SERVICES		HEALTH			
Industry Segments	Solutions	Industry Segments	Solutions		
<ul style="list-style-type: none"> <li>• Banking</li> <li>• Insurance (except Health)</li> <li>• Software &amp; Data Services</li> <li>• Arch., Eng., &amp; Construction</li> <li>• Other Prof'l. Services</li> <li>• Public Admn.</li> </ul>	<ul style="list-style-type: none"> <li>Retail Branch Systems</li> <li>Trading Systems</li> <li>Workflow Document Management</li> <li>Registry Appl.</li> </ul>	<ul style="list-style-type: none"> <li>• Healthcare</li> <li>• Health Insurance</li> <li>• Pharmaceuticals</li> <li>• Social Security</li> <li>• Gov't Hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Hospital Info Systems</li> <li>New Drug Applications</li> </ul>		

The five Customer Business Units are:

- (1) Consumer and Process Manufacturing Customer Business Unit, led by John Klein.

This Business Unit includes eight industry segments: travel and transportation, consumer packaged goods, retail/wholesale, chemical, utilities, environment, forest, metals, mining and glass, and oil and gas.

- (2) Communications, Education and Media Customer Business Unit, led by Paul Kozlowski.

This Business Unit includes the telecommunications, cable, media and entertainment industries, and education.

- (3) Discrete Manufacturing and Defense Customer Business Unit, led by Frank McCabe.

This Business Unit includes the aerospace, automotive and electronics industries (except telecommunications equipment manufacturers), as well

as other general discrete manufacturing. Ministries of defense and intelligence agencies are also included. In the United States this means the Departments of Defense and State, the armed forces, and intelligence agencies.

- (4) Financial, Professional and Public Services Customer Business Unit, led by Bruce Ryan.

This Business Unit includes the banking, insurance (except health insurance), software and data services industries. It also includes the architecture, engineering and construction industries as well as other professional services, such as accounting and law. Finally, all government agencies that don't naturally align with another CBU are included here (for example, Customs, Judiciary, Immigration, Tax, Commerce, Census).

- (5) Health Industries Customer Business Unit, led by Willow Shire.

This Business Unit includes all health care providers worldwide, including government hospitals and health care agencies (such as the U.S. Public Health Service). It also includes insurance providers that are solely or primarily health insurers as well as the pharmaceutical industry. Finally, all government agencies providing social security benefits are covered by this CBU.

The four Product and Service Business Units are:

- (1) Components and Peripherals Business Unit, led by Larry Cabrinety.

This Business Unit is responsible for video products, hard copy products, chips, controllers (modules and boxes) except storage, NAC/LENAC products, workstations, commodity servers (NT, UNIX, etc.) and supplies (printers, etc.) sold through volume channels. It is also responsible for all products sold through named technical OEMs, as well as contract manufacturing.

- (2) Personal Computer Business Unit, led by Enrico Pesatori.

This Business Unit is responsible for Intel-based personal computers, shrink-wrapped software for personal computers and Alpha personal computers.

- (3) Storage Business Unit, led by Charlie Christ.

This Business Unit is responsible for tapes, disks, storage subsystems, storage software and thin film heads.

- (4) Multivendor Customer Service Business Unit, led by John Rando.

This Business Unit provides hardware and software product services as well as desktop services. It includes services associated with components and personal computers.

#### **II.4 Business Unit Responsibilities**

The nine Business Units have direct P&L responsibility for their businesses. They are responsible for developing profitable business plans that will be integrated with each other and implemented by Territories and Functions.

Business Units are also responsible for all funding and resource allocation within the corporation (see "Funding Flow Process," below). All Functions and Territories within the corporation will be directly funded by Business Units. Areas will no longer have P&L responsibility.

Business Units will make investment and disinvestment decisions for their markets and will have market plans for increasing market penetration. They will be responsible for competitive channels strategies and competitive products and replicable solutions.

The Customer Business Units are responsible for profitably increasing our share of the products and services business for their assigned accounts. They are also responsible for rapidly increasing market share in currently non-covered accounts in their specific markets. They will deliver demonstrable value to customers through applications, customized solutions and systems integration services while profitably maintaining focus on "traditional" systems, hardware and software sales.

The Customer Business Units are responsible for the Systems Integration and Professional Services businesses within their industry segments. They are responsible for industry marketing and for developing selling and service plans in conjunction with the Territory managers.

Customer Business Units will provide applications, industry expertise, channels strategies, customer solutions and customer solutions platforms for the Territories.

Customer Business Units will also be responsible for providing Engineering with product definition input so that product creation is closely aligned with customer needs.

Finally, Customer Business Units will interface directly with our large global, large multinational and other large named accounts to provide industry expertise and account support.

The underlying idea is that the Business Units provide added value to account managers as directly as possible with products, solutions and services. Their goal is to make the job of the account manager, as our "tie to the customer," as easy as possible.

Product and Service Business Units are responsible for their own new product and service development. In addition, they will have their own engineering and product and service marketing organizations. They will develop high volume sales and distribution strategies in conjunction with the Territories. They are encouraged to focus on expanding the Digital base.

Product Business Units will "sell" their products to Customer Business Units at a "best OEM price" -- treating the CBUs just as a distributor is treated.

#### **II.4.a. Business Unit Measurements**

As has been previously stated, Business Unit managers will be measured on P&L. In FY94, the emphasis will be on operating profit and maintaining market share.

In FY95, the emphasis will include growing market share, and managing assets. They will also be measured against the overall level of customer satisfaction in their markets, in partnership with the Territories.

#### **II.5 The Creation of Territories**

Issues of focus and flexibility, the need for technical support, product and industry expertise, and professional services support on a geographic basis, and span of control issues led to a rethinking and reorganization of the field.

After analyzing these needs and our field structure, and taking into account differences in language, geography, culture, law, currency and tax structure, 13 Territories were created for managing the field.

These Territories are:  
In GIA:

- 1) Canada
- 2) Japan
- 3) South Pacific Region
- 4) Latin American/Caribbean Region
- 5) Asia

In the U.S.:

- 6) United States (will be one Territory)

In Europe:

- 7) United Kingdom and Ireland



- 8) Emerging Markets: includes Spain, Portugal, Austria, Israel, Poland, Hungary, Czechoslovakia, Russia, the Baltics, Ukraine, Greece, Turkey and all of our operations covered by the Country Development Group [CDG]
- 9) Germany
- 10) Western Europe: includes Switzerland, Belgium, Holland and Luxembourg
- 11) Nordic Countries: includes Denmark, Norway, Sweden and Finland
- 12) Italy
- 13) France

## **II.6 Territory Responsibilities**

Territories will develop partnership agreements with each of the Business Units as to the revenue to be generated in that Territory and the qualified resources that will be needed to generate revenue. The Territory managers will then directly manage and plan for the allocation of those resources.

The "expenses" agreed upon between the Business Units and the Territories will fund all Territory resources except for Territory Customer Administration/Logistics. The Worldwide Supply Chain will fund Territory Customer Administration/Logistics and the Engineering Function will fund Territory Engineering.

To meet their needs for expertise, the largest worldwide, multinational and national accounts will receive support directly from the Customer Business Units. Smaller accounts will share resources in the Territories. (See "Accounts and Centers of Expertise," II.8.a below.)

All accounts will be managed by a Territory while receiving direction and support from Business Units.

### **II.6.a. Territory Metrics**

Territories will be measured on their implementation of their nine Business Unit partnership agreements. The measurement includes NOR, gross margin, expenses and capital by Business Unit.

If the implementation of the nine Business Unit partnership agreements is seriously out of balance, Territory managers must get the agreement of the affected Business Unit managers before implementing significant changes in the resource mix.

They will also be measured on the level of customer satisfaction in their Territory in partnership with the Business Units.

## II.7 Areas

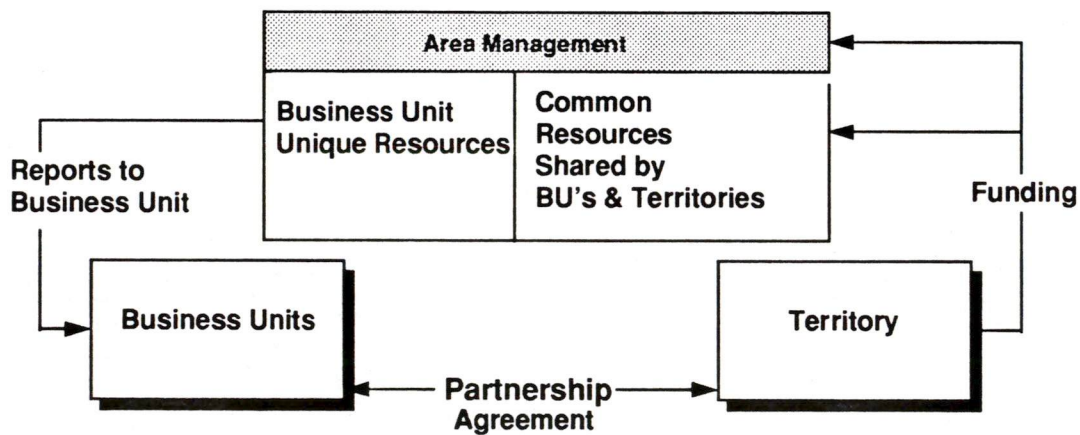
As we transition to the new business architecture, Areas will play a vital role. Until the actual changeover, Areas will continue to be responsible for revenue and profit according to existing plans.

After the Business Units take responsibility for P&L, the Areas' responsibilities will change.

First, the Area will provide the corporate perspective for Territories on key cross-Territory and cross-Business Unit issues. Second, Territory managers will report to their Area managers. Area managers will serve as managers, coaches and counselors for their Territory managers.

Area managers will also play a monitoring role to ensure that Territory managers are implementing their Business Unit partnership agreements.

### Business Unit/Geography Relationship



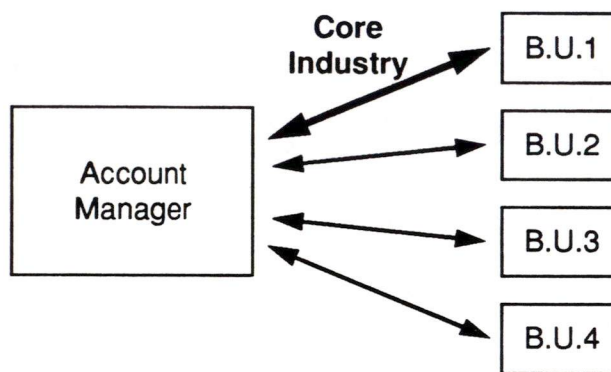
**117 Agreements: 9 Business Units x 13 Territories**

Finally, Areas will manage resources that are shared by Business Units and/or Territories. Unique Business Unit resources at the Area level report to the Business Unit managers as well as the Area managers.

## II.8 Accounts and Their Relationship to Business Units

All Digital covered accounts will be aligned with one Customer Business Unit. Large global, multinational, and other large named accounts will directly interact with the Customer Business Units for industry expertise and support. All other accounts will be managed directly by the Territory managers, with industry expertise coming from the Centers for Expertise (see below).

### Conglomerate Account Alignment



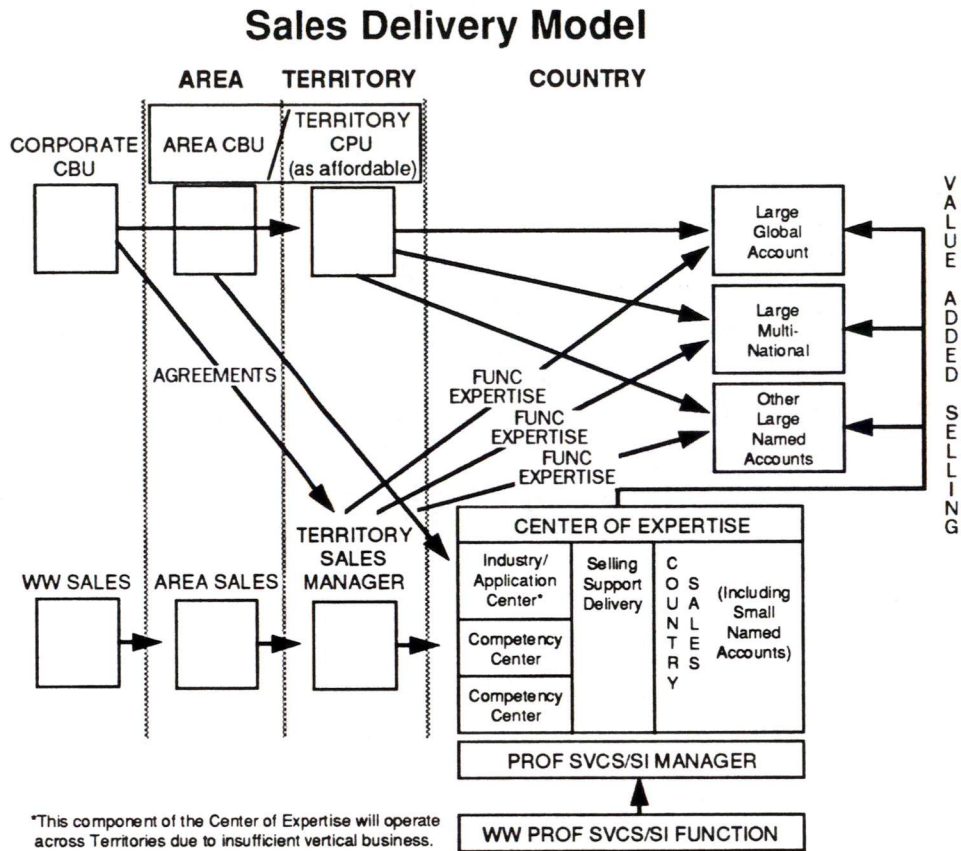
Conglomerates are an exception. The Conglomerate Account Manager will be aligned with the Business Unit that best represents the customer's core business (those determinations are being made). Each separate business within the conglomerate will be aligned with the appropriate Business Unit for solutions and industry expertise.

For example, the conglomerate General Electric's Jet Engine Divisions would be aligned with the Discrete Manufacturing and Defense Customer Business Unit, while GE's National Broadcasting Company (NBC) would be aligned with the Communications, Education and Media Customer Business Unit.

Government accounts, because their solution needs are so diverse, will be viewed as a conglomerate. Each ministry or department will be aligned with the appropriate Business Unit. For example, a Ministry of Transportation will be aligned with the Consumer and Process Manufacturing Customer Business Unit (which is responsible

for the Travel/Transportation industry segment), while a Ministry of Defense will be aligned with the Discrete Manufacturing and Defense Business Unit.

### II.8.a. Accounts and Centers of Expertise



All accounts will be tied to a Center of Expertise. This Center will support the account team with the knowledge and experience required to satisfy the needs of the customer. Centers of Expertise will include sales, technical, and professional services and systems integration support.

Industry-specific resources in Centers of Expertise will operate across Territories unless there is sufficient vertical business to fund them. Non-industry specific resources in the Center of Expertise will be managed by the Territory.

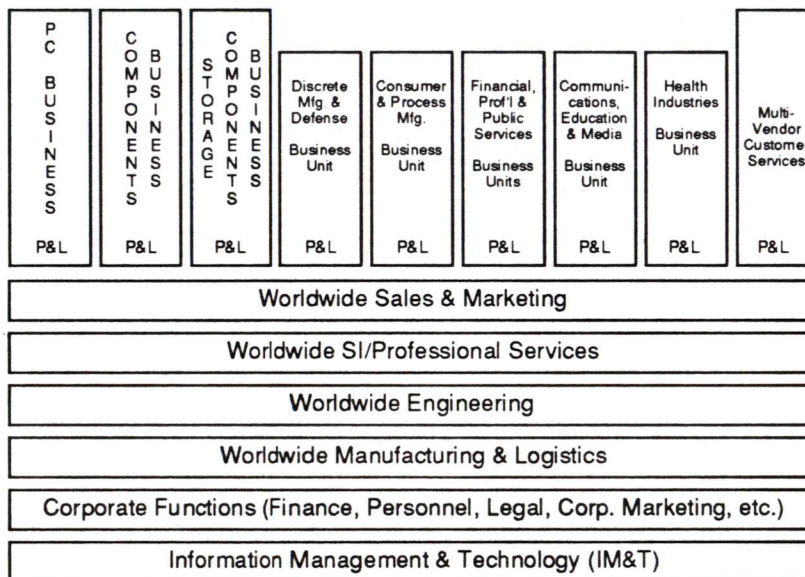
Small account resources will also be located in the Centers for Expertise. In small countries or emerging markets, the Country Manager will also be manager of the Center of Expertise.

## II.9 Accounts and Their Relationship to Territories

Accounts rely on Territories for functional sales and marketing expertise, for non-industry specific support from Centers of Expertise (e.g., sales support, systems integration expertise, technical support) and for functional support (contract administration, personnel, law, etc.).

## II.10 Functional Responsibilities

### Digital's Business Structure



The role of the Functions is to support the Business Units and Territories. The Functions include Worldwide Sales and Marketing, Worldwide Systems Integration/Professional Services, Worldwide Engineering, Worldwide Manufacturing and Logistics, Information Management and Technology and the Corporate Functions (i.e., Finance, Personnel and Legal).

All Functions will be held accountable for achieving benchmark levels of excellence in their Function. All will be responsible for developing plans in support of the Business Units.

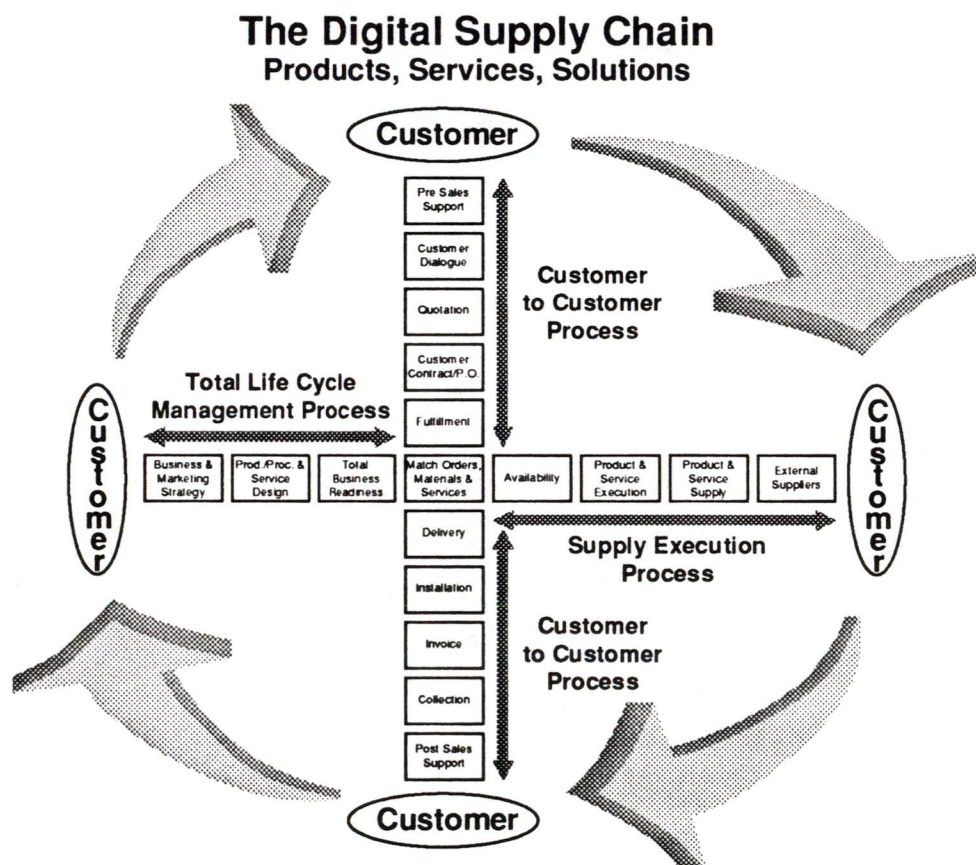
Two Functions will be planned on a worldwide basis -- Engineering and Supply Chain (Manufacturing/Logistics). The other Functions will be embedded in Business Unit or

Territory plans, except for the Corporate Functional groups, which are responsible for functional excellence and worldwide investments.

## II.10.a. Supply Chain

Digital is in the midst of a major effort to re-engineer the supply chain. The goal is to achieve fast, flawless and simple delivery of value as perceived by our customers so that Digital becomes the benchmark toward which other strive.

The supply chain process is the process by which Digital plans, creates and delivers competitive products and services. In this sense, all major activities for fulfilling the needs of our customers are part of the supply chain. But the supply chain is not a function, nor does it take a functional view of the company. Rather, supply chain work takes a systemic, holistic, process-oriented view of the company.



The beginning and end of all supply chain processes is the customer. The supply chain itself can be broken down into three distinct processes.

The first process, rooted in logistics, is the customer-to-customer process. It starts with the pre-sales support to the customer before an order has been taken, and follows the

order process through customer dialogue, quotation, customer contract/purchase order, order fulfillment, delivery, installation, invoice, collection, and finally post-sales support.

The second process, rooted in manufacturing and supply, is the supply execution process, which brings raw materials into the company and into production and supply. It intersects the first process, where orders have to be matched to materials and services for production.

The final process is the total life cycle management process. It is, in effect, the product and service creation process. This process starts with customer input into business and marketing strategy and feeds into the design of products and services.

A Supply Chain Program Office has been created to integrate re-engineering efforts across the corporation and to ensure the delivery of competitively benchmarked, customer-driven supply processes.

Within the next two years, all parts of the company can expect to be incorporated into the re-engineering work of the supply chain. By FY95, we will achieve best-in-class supply chain processes.

### **II.10.b. Engineering**

Engineering is responsible for responding to Customer Business Unit product requirements at an affordable expense level. It is also responsible for developing a unified product strategy for the company, functional excellence in engineering, leadership in selected products and technologies and the acquisition of external products and technology.

The Product Business Units will have their own engineering organizations. But Engineering will be responsible for the functional excellence of engineering processes in those Business Units in a manner that is not yet detailed.

Overall, engineering processes will be measured by their ability to achieve world-class benchmark standards.

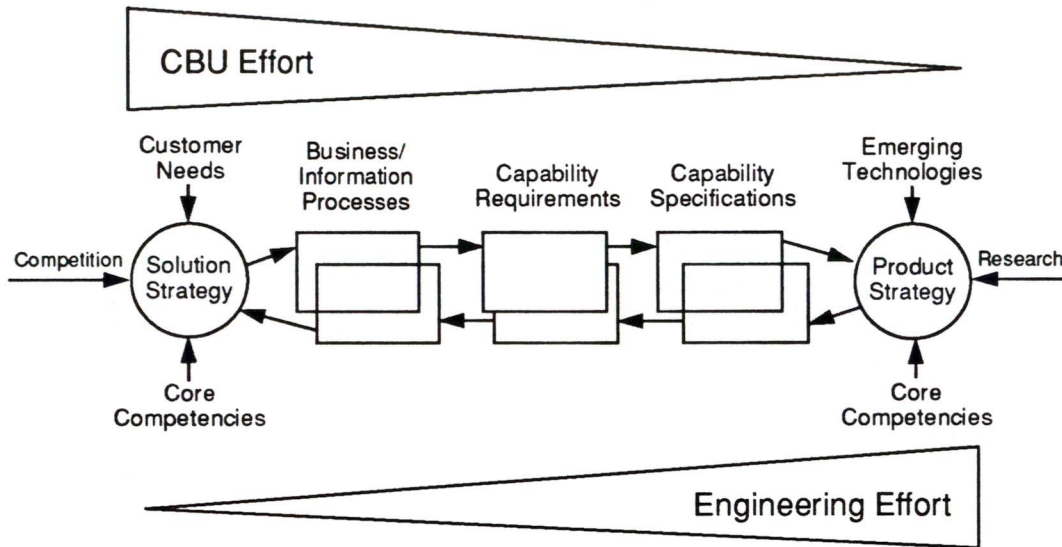
#### **II.10.b.1 The Product Requirements Process**

A technical forum is being developed for product requirement discussions between the technical directors of the Customer Business Units and the Technical Directors of Engineering.

The Customer Business Units will be asked to distill from their overall needs a set of generic systems requirements for Engineering. In return, Engineering will deliver a plan

for meeting those requirements. An agreed-upon list of Engineering activities and costs is then developed through a negotiating process.

### CBU/Engineering Process



The details of this process are being developed.

#### II.10.c. Manufacturing and Logistics

Manufacturing and Logistics will serve customers (both end users and business units) through the fast, flawless, simple delivery of value. This effort is designed to achieve benchmark levels of excellence in customer satisfaction, time, quality and cost.

Manufacturing's responsibilities include the processing, assembly, integration and distribution/replication of goods and services ranging from thin film and semiconductor fabrication to distribution of customer orders.

Logistics activities range from pre-sales support through quote and validation, fulfillment and delivery, acceptance, invoicing and collection right through to post-sales support.

The contracting process between the Business Units and Manufacturing will assume that Manufacturing is producing at the most competitive cost. This cost is called the Manufacturing Competitive Value (MCV). Manufacturing is currently determining what



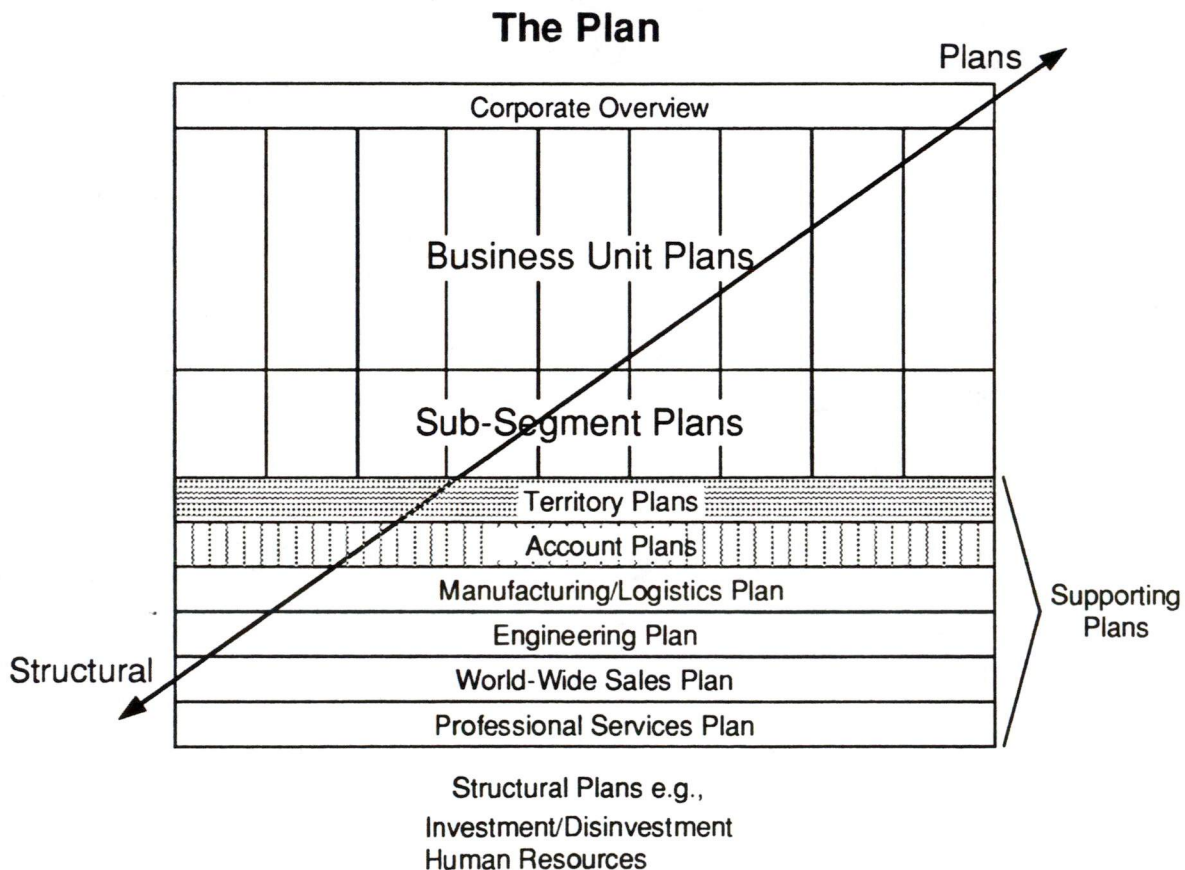
the competitive costs for goods are, and has a program to put in place clear, simple and comprehensive competitive cost targets.

Business Units will only be charged the Manufacturing Competitive Value (MCV) for manufacturing services. The "gap" between the actual cost to Manufacturing above and beyond the competitive cost charged to the Business Units will be the responsibility of Manufacturing. Manufacturing will be measured on reducing the competitive gap.

### III. PROCESSES

#### III.1 Business Planning Process - Overview

The Business Planning Process addresses a two-year time span. The nine Business Unit plans will drive and be supported by the Territory and functional plans. The sum of these nine Business Unit plans is the Digital Business Plan.



Each group's business plan is its plan of record. For Business Units, the plan clearly articulates business goals, based on an analysis of the environment and market opportunity and in support of corporate financial objectives. It includes a clear implementation plan to achieve those business goals and assesses resource

requirements and risks. For Functions and Territories, the plan demonstrates support of each Business Unit plan and, in addition, indicates how functional excellence will be attained.

Business plans must be both implementable and integrated across the company. Managers will be held accountable for execution of their plans.

This has not been the case in Digital's past. We have not had business plans. We used budgets as business plans, or had business plans that were disconnected from the other business plans in the company. None of these allowed for accountability.

This year's business plan will be an integrated and implementable plan. Managers will be held accountable for the results of their plan. We will "track" and manage performance against plan at Senior Leadership Team meetings.

### **III.1.a. Business Plan Architecture**

Business plans will be constructed around a modular architecture based on a common template. The architecture is designed to enable both a vertical view (the total entity) and horizontal views (across entities) of the total company.

Each entity's business plan will include a unique module which describes its particular and distinct role (whether Business Unit, Territory or Function). In addition, to allow the horizontal views of the company, all business plans will include structural modules based on a common template. Each structural module will have a cross-business plan "owner" who is responsible for providing the Senior Leadership Team with a cross-organizational summary and analysis. These modules will cover:

- human resources
- budget
- marketing
- sales
- professional services
- alliances
- major programs plan (e.g., Alpha AXP program)
- investment/disinvestment plan
- contingency planning

An individual business plan, for example, will consist of a unique section, plus modules on sales, PS/SI, investments, human resources, alliances, budget, marketing and major programs.

In order to understand whether the individual plans support the alliance strategy for the company, the "owner" will review the alliance modules from all Territories, Functions and Business Units.

## **III.2 Business Planning Process - Partnership Agreements**

The nine Business Units fund all of Digital's spending. All funding for Territories and functional resources will be the result of partnership agreements with the Business Units.

Each Business Unit will contract with each Territory for a certain level of revenue at a certain level of cost. The 117 ensuing contracts (nine Business Units each have a contract with 13 Territories) are the only contracted work to occur in the Territories worldwide.

Partnership agreements are commitments from both sides. The delivery of a certain level of revenue at a certain cost from a Territory depends on the commitment of a Business Unit to deliver promised solutions, services and products.

These partnership agreements are negotiated and bi-directional; they are not imposed. Territories provide information otherwise unavailable to Business Units. Business units provide advice on how they will market solutions, services and products. Negotiations will take place in a context of teamwork. Management processes for aiding and abetting the negotiation process will be developed as necessary.

Both sides are accountable for delivering on commitments. Territory managers are accountable for revenue, gross margin and expense commitments to each Business Unit manager for their Territory, subject to the delivery of solutions, services and products committed to by Business Unit managers. Business Unit managers are responsible for the delivery of revenue, gross margin and expense in their target markets across all 13 Territories.

Significant changes to partnership must be agreed upon by both Business Unit managers and Territory managers and will be subject to a formal approval process by the Senior Leadership Team.

Dramatic changes in market conditions must be prepared for by contingency planning. Business Unit managers must be prepared when conditions outside the control of the Territory affect the contract. Contingency planning must be an integral part of all planning, and must be clearly outlined during the contracting process.

Examination of market conditions and contingency plans will be part of the quarterly review process, and subject to ongoing dialogue.

### **III.2.a. Partnership Agreements -- An Example: Italy and Health Care**

Let's take an example. Suppose that Italy agrees with the Health Industries Business Unit to deliver \$50 million in revenue for \$10 million in costs. The Health Industries Business Unit in turn has committed to deliver a broad set of solutions, services and

products, for example, integrated molecular modeling software that can run on multiple platforms, including Alpha AXP systems.

Italy is accountable for the \$50 million. The Health Industries Business Unit is accountable for the delivery of products, services and solutions. The Health Industries Business Unit will be accountable for Italy's \$50 million dollars, as well as the collective revenue of all 13 Territories combined.

The plans operate within a range of acceptable deviation. If halfway through the fiscal year, Italy has delivered only \$10 million in revenue, then the Territory manager will have to work closely with the Business Unit manager to understand what is happening and what needs to be done to meet their fiscal year profit goals. If, as a team, they agree that a contract must be renegotiated and that the renegotiation has a significant profit impact, they take the new plan back to the Senior Leadership Team for approval.

The important points are that Business Units and Territories make commitments in partnership agreements, work together to meet those commitments, and openly inform those who need to know of progress and changes to contracts.

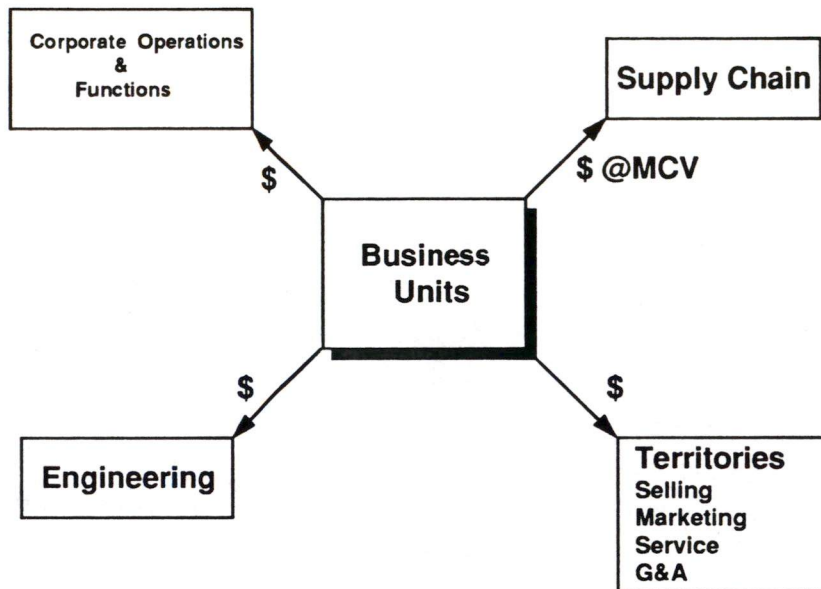
### **III.3 Business Planning Process - Funding, Transfer Pricing and Revenue Flow**

The nine Business Units are the source of all funding. All revenue is also credited to the nine Business Units. This section will explain the flow of funding and the crediting of revenue.

#### **III.3.a. The Funding Flow Model**

All funding flows from the nine Business Units, whether directly, as in the case of the Territories' selling expenses or Corporate Engineering, or indirectly, as in the case of Customer Administration in the Territories (which is funded by Manufacturing and Logistics, which in turn is funded by the Business Units).

## Funding Flow Model

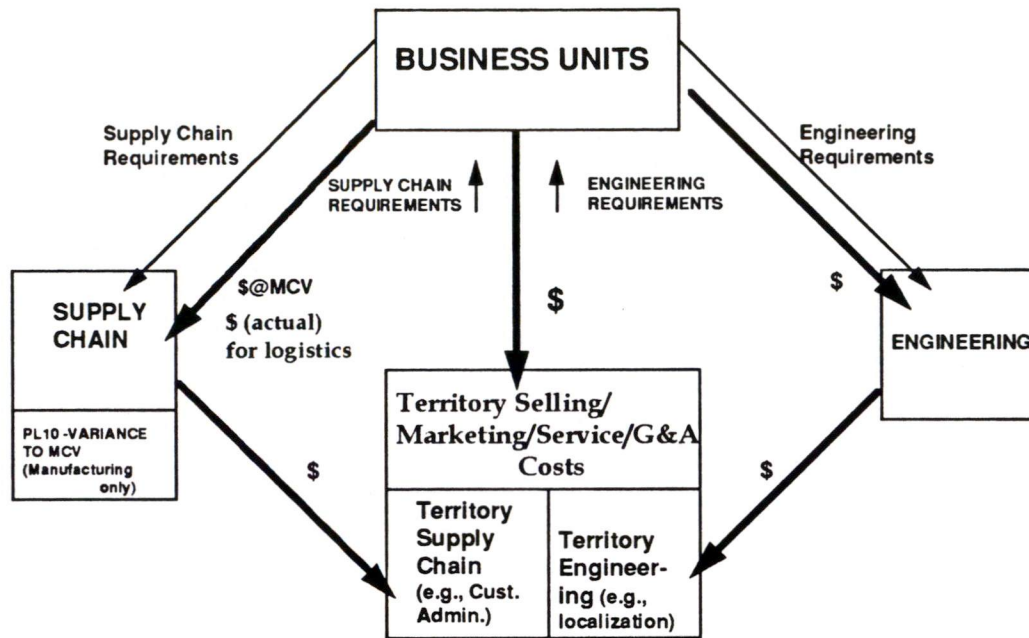


The Business Units will fund the Territories based on the partnership agreement process described above. Once an agreement has been reached, the Territory will allocate funds within its Territory for sales, marketing, service, operations, and functions like law, finance, and personnel. Territories can choose to fund shared services or span management with other Territories, at the Area level.

Functions and Operations at the corporate level, like Corporate Law and the Office of the President, will be funded directly by the Business Units at the minimum level necessary for the maintenance of a small overhead structure.

Funding from the Business Units to Engineering is in part determined by the product requirements process described above. Engineering is expected to deliver a product strategy, product marketing, engineering processes, selected technology leadership and technology acquisition for the business units at benchmark levels of excellence and at a price that will be driven down to competitive levels. The exact process of Business Unit/Engineering business planning is still being created.

## Business Requirements & Funding Flow Model



Engineering resources located within the Territories will be funded by Engineering.

Funding from the Business Units to the Supply Chain (Manufacturing and Logistics) is at Manufacturing Competitive Value for Manufacturing Services and at actual costs for Logistics Services.

The Supply Chain will then fund the Supply Chain work in the Territories (e.g., Customer Administration).

Funding proposals will go before the Corporate Business Unit Forum.

### III.3.b. Transfer Pricing

A transfer pricing mechanism is being put in place for goods "sold" by Product Business Units to Customer Business Units. This will allow the Product Business Units to maintain their integrity as "independent" businesses.

The relationship of a Product Business Unit to a Customer Business Unit is similar to the relationship of a PBU with a distributor. The Customer Business Units "buy" products from the Product Business Units at a price that is completely competitive and at the same time provides built-in incentives to the Product Business Units to make

their costs competitive. Therefore, the transfer price between Business Units will be set at the "best OEM" price.

This holds true even when one Product Business sells to another. For example, the Storage Business Unit will sell disks to the Personal Computer Business Unit at the same "best OEM" price at which it sells disks to the Customer Business Units.

### **III.3.c. Revenue Flow Model**

Just as all funding flows from the Business Units, so all revenue is credited to the Business Units.

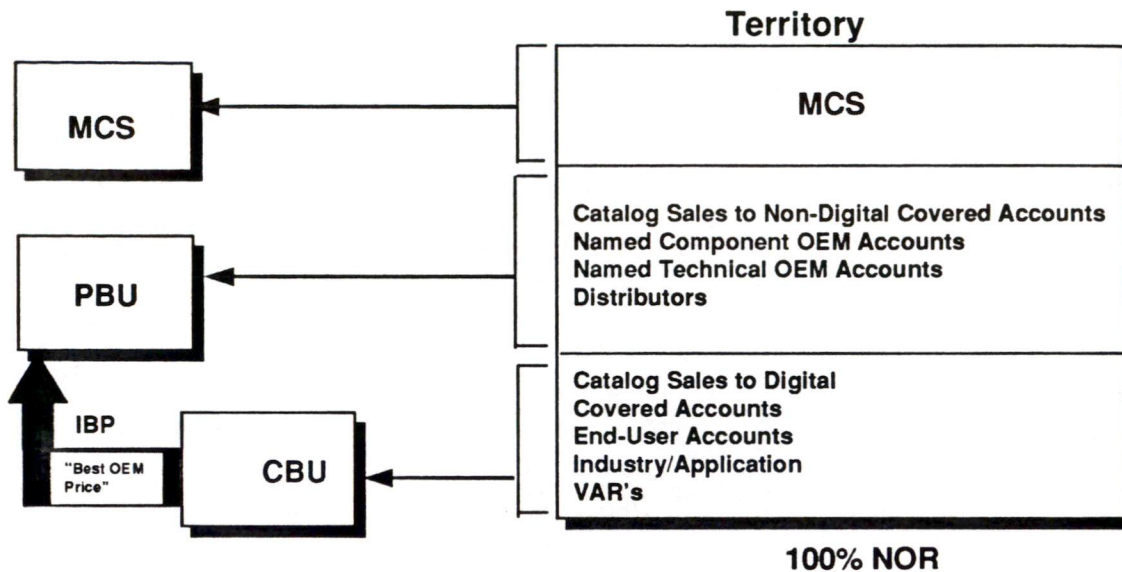
The system for crediting revenue was established according to a few simple principles.

First, do what is best for the customer. Elaborate accounting or crediting procedures that take away focus from the customer or impede our ability to serve customers do not serve the company's goals.

Second, revenue metrics must generate the appropriate profitable business behavior. This means, for example, that the measurement of revenue flow from the Customer Business Units to the Product and Service Business Units must respect the independence of both as businesses being measured according to their success in the marketplace.

Third, simplicity and ease of administration are necessary. Complexity in revenue measurement turns the focus away from the customer, slows down the company, and is costly.

## Revenue Flow



**Inter Business Unit Pricing (IBP) is at Best OEM Price and is invisible to Territory in the Partnership Agreement**

All revenue is credited in a way that recognizes the differing distribution strategies of the Product and Customer Business Units.

All revenue generated by the Digital Sales force from Digital covered accounts for product, solutions and systems integration gets credited to the Customer Business Unit with which the account is aligned.

Revenue through CBUs from those sales for products produced by the Product Business Units is credited to the Product Business Unit at "best OEM price." (See "Transfer Pricing" above.)

Revenue for catalog sales to Digital covered accounts works in exactly the same way: the Customer Business Unit with which the account is aligned receives revenue credit.

Revenue from catalog sales to accounts that are not covered by Digital goes directly to the Product Business Unit from which the product comes. Revenue from Industry and Application Value Added Resellers (VARs) is credited to the Customer Business Unit of the account into which it is sold.

Revenue from distributors, retailers and "superstores" is credited to the appropriate Product Business Units.



Also, each Product Business Unit has a set of named Technical, Component or PC OEMs that they sell to directly and from which they receive all revenue.

For FY94 at least, all revenue for Multivendor Customer Services (which excludes Professional Services revenue), no matter what its channel, is credited to the Multivendor Customer Services Business Unit. There is no transfer pricing of Multivendor Customer Services.

#### **III.4 Strategic Planning Process**

TBD

#### **III.5 Customer Engagement Process**

TBD

#### **III.6 Revenue Planning Process**

TBD

#### **III.7 Pricing Process**

TBD

#### **III.8 Forecasting Process**

TBD

#### **III.9 Decision Making and the Management Escalation Process**

### **IV. EXPECTED BEHAVIOR**

The new business architecture, no matter how well formulated, cannot work without the the appropriate supporting behaviors.

First and foremost among them is teamwork. Though in the past Digital's culture supported internal competition, the business architecture described above cannot work without the close cooperation and teamwork of all involved.

It is expected that the Product and Service Business Units and Customer Business Units will work together as a team, and that the Business Units and the Territories will work together in close partnership. Teamwork will be one of the measurement metrics for senior managers at Digital.

More consistent with Digital's culture is the necessity of integrity in business dealings. We must be able to rely on each other's commitments. We must all be straightforward with one another; to say what we mean and to act on what we say.

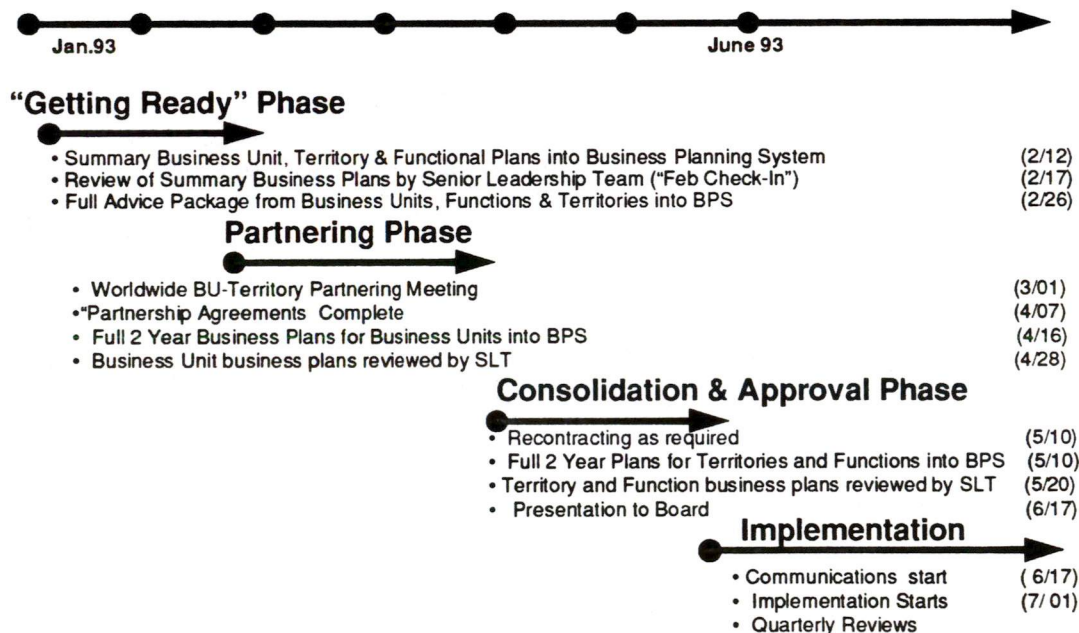
The business architecture, with its many interdependencies, cannot work if some groups are making private deals that are unknown to other, interdependent groups. Therefore the new business architecture must be characterized by openness. All partnership agreements will be made available on a need-to-know basis. For example, all Business Units can see the Business Plans of all the Territories and all the other Business Units.

Finally, it is expected that commitments will be followed through on. That is, managers will be held accountable for their commitments. Past behavior, which tolerated commitments without accountability, will not work in the context of this business architecture.

## V. IMPLEMENTATION - 1993/1994

### V.1 Moving from the Old Process to the New One

#### Implementation Timetable



- Timetable
- Start-up
- Parallel Process



**Worldwide Partnership Meeting**

**The Company Transformation**

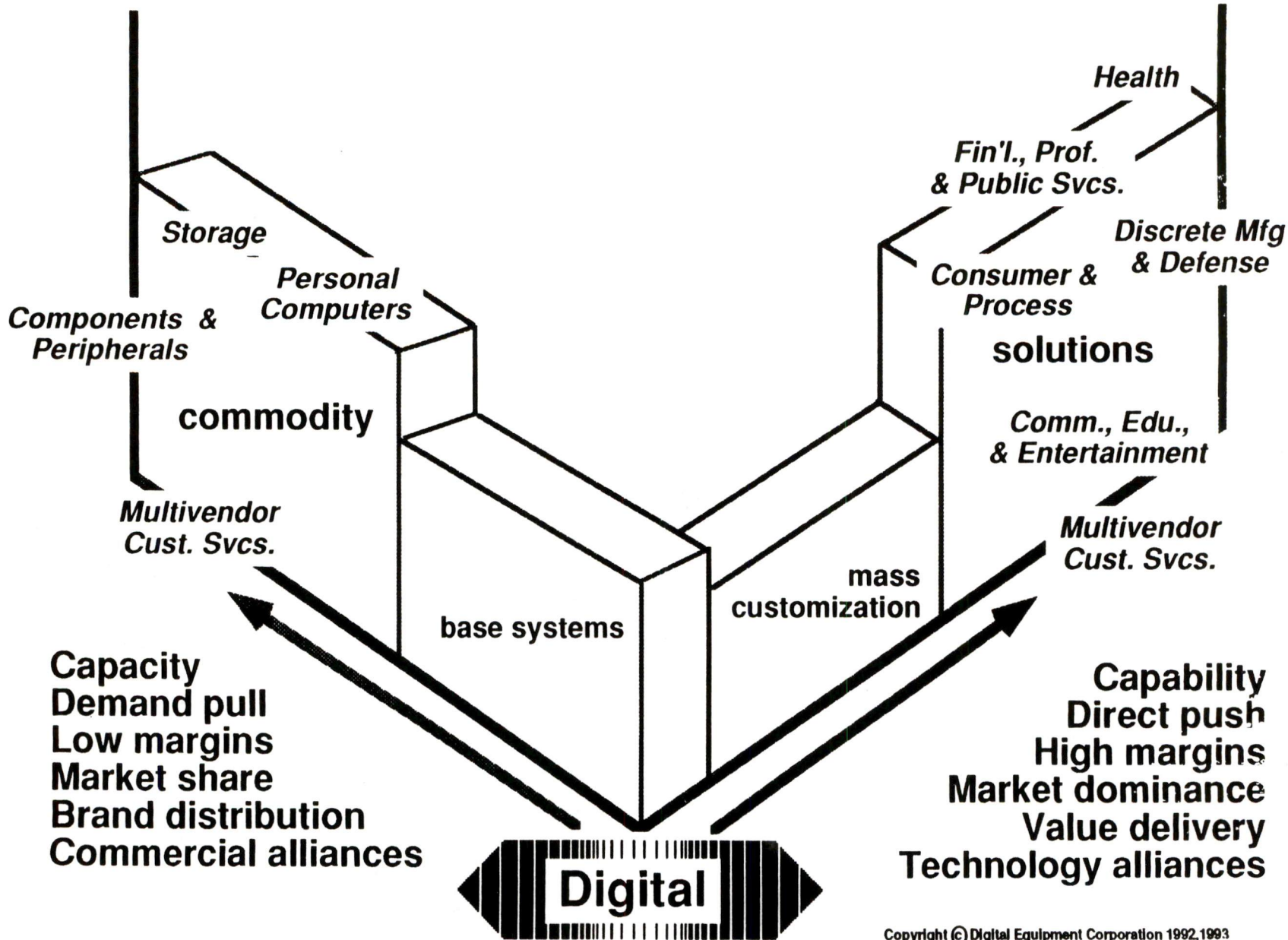
**Adriana Stadecker**

**March 1, 1993**

**Volume**

**External Context**

**Value**



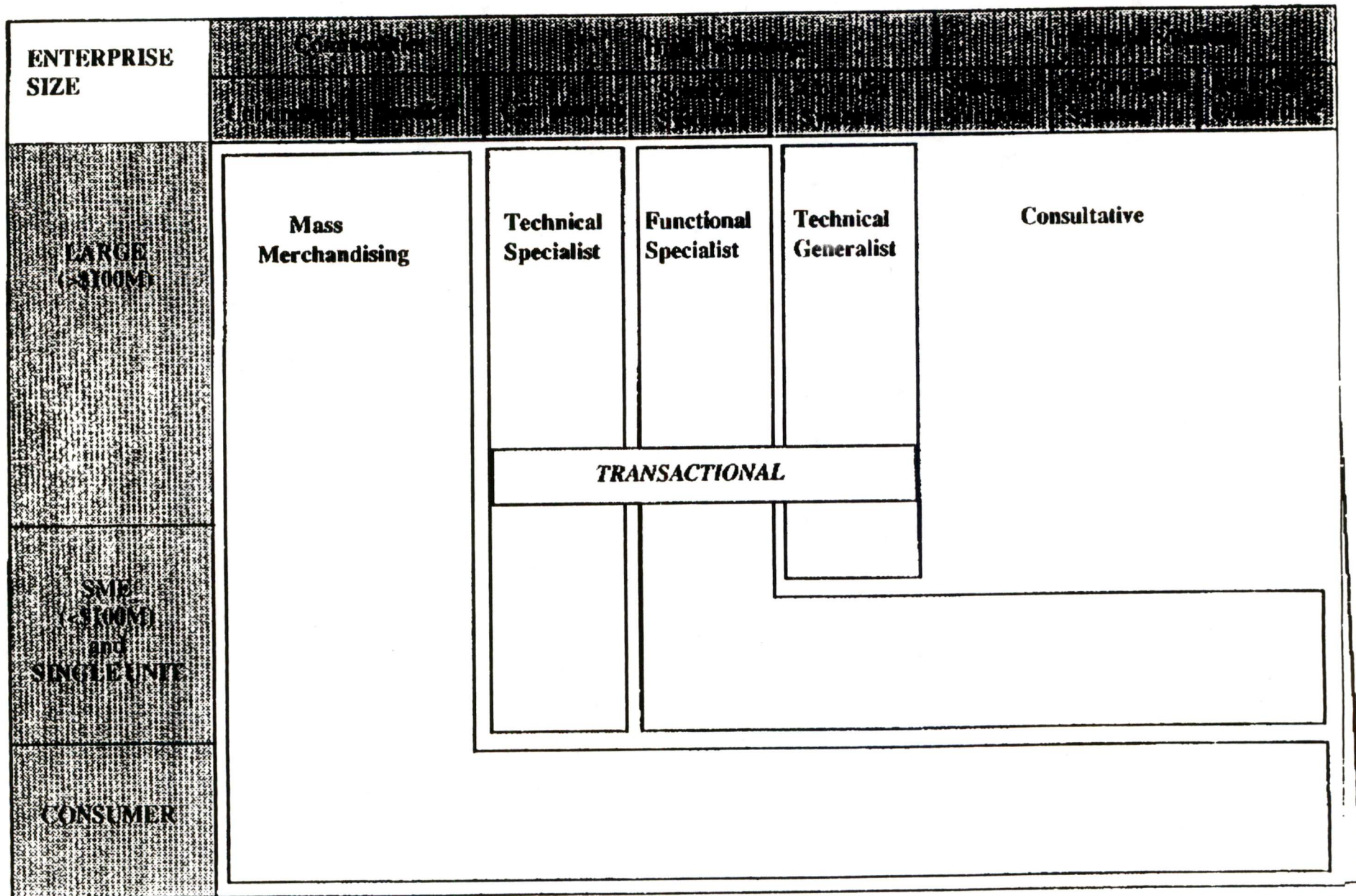
## Internal Context For Change

- \* Matrix structures obscured lines of responsibility and accountability
- \* Groups focused on competing with each other internally
- \* Lack of focus on customers and external competition
- \* Proliferation of businesses caused organizational confusion
- \* Cost grew out of control
- \* Low morale
- \* Financial losses resulted
  - \$3 million per day in Q1
  - Decline in value to shareholders from almost \$25 billion in 1987 to less than \$5 billion

## Goals Of The New Business Models

1. Focus on customer needs
2. Profitable business model
  - competitive cost structure
  - re-engineer processes to simplify systems, products and procedures to respond to customers, to control costs and increase revenue
3. Establish clear responsibility and accountability
4. Establish team-oriented management approach to solving customer problems

# FIVE SELLING MODELS





## Customer Business Units

- \* Five of the nine business units were defined by clusters of industries:
  - o Consumer and Process Manufacturing
    - John Klein
  - o Communication, Education, and Media
    - Paul Kozlowski
  - o Discrete Manufacturing and Defense
    - Frank McCabe
  - o Financial, Professional and Public Services
    - Bruce Ryan
  - o Health
    - Willow Shire
  
- \* Charter
  - o Increase Digital's market share
  - o Deliver demonstrable value to customers through applications, customized solutions and systems integration services as well as "traditional systems" sales

# CUSTOMER BUSINESS UNITS

DISCRETE MFG. & DEFENSE	
Industry Segments	Solutions
. Automotive	Mfg. Planning
. Aerospace	Mfg. Execution
. Electronics	Engineering Product
. Defense	Data Management
	Defense Logistics/ Intelligence

CONSUMER & PROCESS MANUFACTURING	
Industry Segments	Solutions
. Travel/ Transportation	Quality Control
. Consumer Packaged Goods	Geographic Info. Sys.
. Retail/Wholesale	Customer Response Sys.
. Chemical	Sales Info. Systems
. Utilities	Store Systems
. Environment	
. Forest, Mining, Metals & Glass	
. Oil & Gas	

COMMUNICATION, EDUCATION & MEDIA	
Industry Segments	Solutions
. Telecom	Corp. Telecom
. Cable	Messaging
. Media	Wireline
. Entertainment	Wireless
. Education	

FIN'L, PROF'L & PUBLIC SVCS	
Industry Segments	Solutions
. Banking	Retail Branch Sys.
. Insurance (except Health)	Trading Systems
. Software & Data Svcs.	Workflow Docu- ment Mgmt.
. Arch., Eng., & Construction	Registry Appl.
. Other Prof'l. Svcs.	
. Public Admin	

HEALTH	
Industry Segments	Solutions
. Healthcare	Hospital Info. Sys.
. Health Insurance	New Drug Applications
. Pharmaceuticals	
. Social Security	
. Gov't Hospitals	

## Product and Service Business Units

- \* The other four business units are defined by the nature of their products and services:
  - o Components and Peripherals
    - Larry Cabrinety
  - o Storage
    - Charlie Christ
  - o Personal Computers
    - Enrico Pesatori
  - o Multivendor Customer Services
    - John Rando
  
- \* Each represents a distinct opportunity for Digital

## Business Unit Measurements

- \* P & L
  - FY94 emphasis:
    - o Operating Profit
    - o Maintain market share
  - FY95:
    - o Operating profit
    - o Grow market share
    - o Manage assets
  
- \* Customer Satisfaction through partnership with Territories

# DIGITAL'S BUSINESS STRUCTURE

P C  B U S I N E S S  P&L	C O M P O N E N T S  P&L	S C B O M P A N Y S  P&L	Discrete Mfg & Defense Business Unit  P&L	Consumer & Process Manufacturing Business Unit  P&L	Financial, Prof'l & Public Svcs Business Unit  P&L	Communications Education & Media Business Unit  P&L	Health Industries Business Unit  P&L	M C S U L T I V E N D O R  P&L
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WORLDWIDE SALES & MARKETING

WORLDWIDE SI/PROFESSIONAL SERVICES

WORLDWIDE ENGINEERING

WORLDWIDE MANUFACTURING & LOGISTICS

CORPORATE FUNCTIONS (FINANCE, PERSONNEL, LEGAL, CORP. MARKETING, etc.)

INFORMATION MANAGEMENT & TECHNOLOGY (IM&T)

# DESIGN PRINCIPLES

- \* The CBUs are responsible for increasing our share of the products and services businesses for their assigned accounts and to rapidly increase market share in currently non-covered accounts in their specific markets. Therefore:
  - the CBU will provide direction to our large global, large multinational, and other large named accounts re: industry expertise and account support.
  - the CBU will interface with the smaller accounts through the Territory managers who will directly manage the account resources and allocate their time and expertise, as appropriate, across industry/account teams.
- \* Global, multinational, and other large accounts will also tie to the Territory managers for Sales and Marketing functional excellence.
- \* All accounts will tie to a center of expertise. This center will support the account team with the knowledge and experience required to satisfy the needs of the customer.
- \* There will only be a maximum of four levels of management between an account manager and Corporate (CBU or WW Sales Manager).

# DESIGN PRINCIPLES, (cont.)

- \* Resources between the account managers and Corporate will be based on the size of the business (i.e., revenue/affordability criteria) and span of control needs. All reporting relationships, though, will be based on "value-added".
- \* CBUs will decide what industries/solutions to invest in to increase market share (i.e., to be #1 or #2 in a specific industry/solution).
- \* Territory managers will develop partnership agreements with each of the Business Units as to the revenue to be generated in that Territory, and the qualified resources that will be needed to generate revenue.

These expenses will "fund" all Territory resources (including those available in the centers of expertise). The Territory managers will directly manage the non-industry specific resources of the center(s) of expertise in their Territory.

- \* Small account resources will be located in the centers for expertise. In small countries, or emerging markets, the "country manager" will also be the manager of the center of expertise (affordability criteria).

## Territories

- \* Transition of P&L from Area Management to Business Unit Management.
- \* 13 Territories based on language, geography, culture, law, currency and tax structure:

GIA:           Canada  
                  Japan  
                  South Pacific Region  
                  Asia

US:             United States

Europe:        United Kingdom  
                  Germany  
                  France  
                  Italy  
                  Western Europe  
                  Nordic Countries  
                  Emerging Markets

- \* Territories & Business Units = Customer Team
  - Business plans jointly developed
  - Territories responsible for delivering revenue goals and profit by business units.



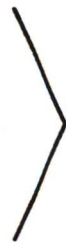
# Territory Measurements

\* Partnership agreement implementation

– NOR

– Gross Margin

– Expenses



by Business Unit

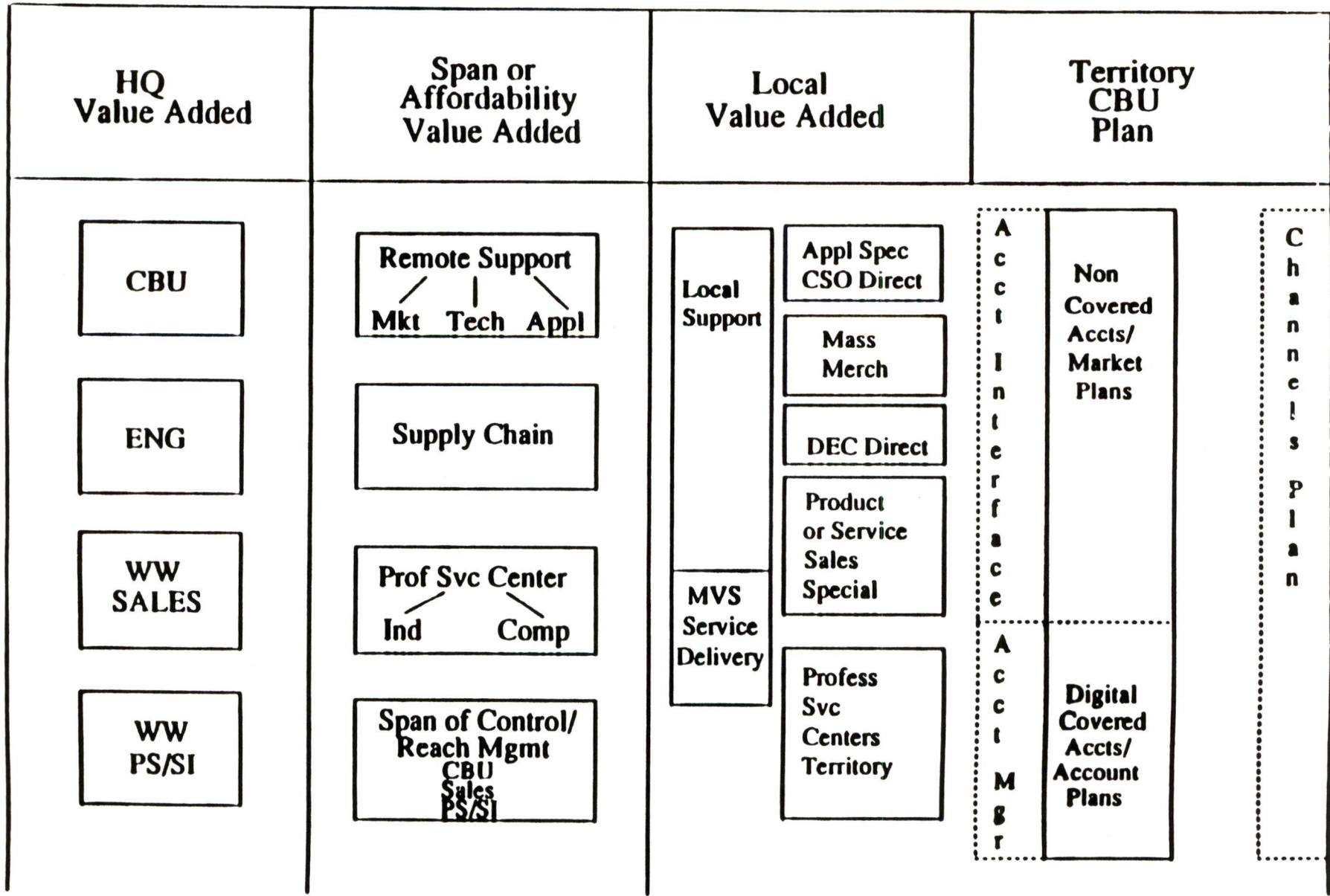
\* Customer Satisfaction through partnership  
by Business Units

A. Stadecker  
March 1993

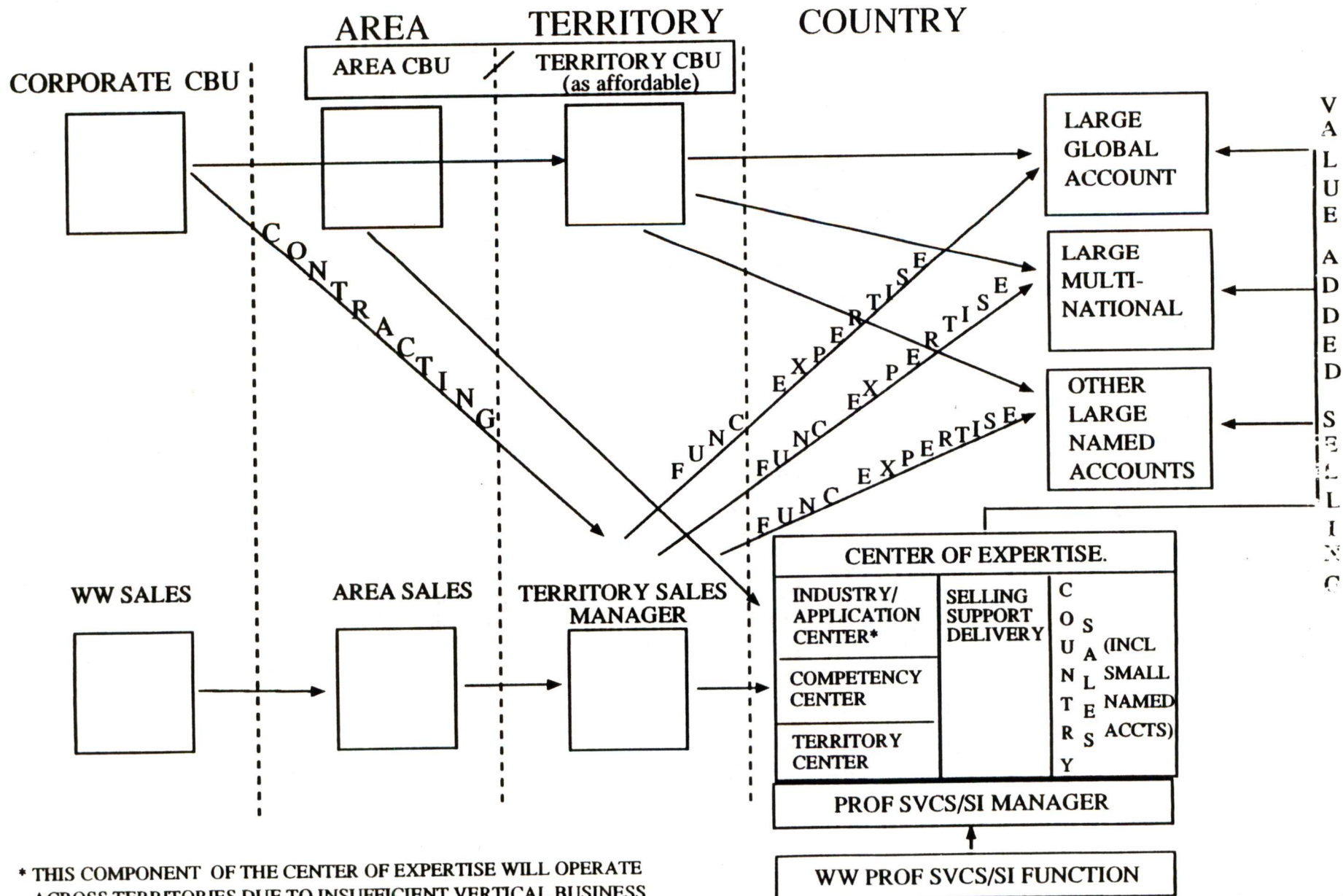
## Area Role

1. Provide Corporate perspective on Cross-Business Unit/Territory issues. Implement new business model.
2. Monitor partnership agreement/implementation
3. Manage Territory Managers
4. Manage shared Territory/Business Unit resources

# ORGANIZATION



# SALES DELIVERY MODEL

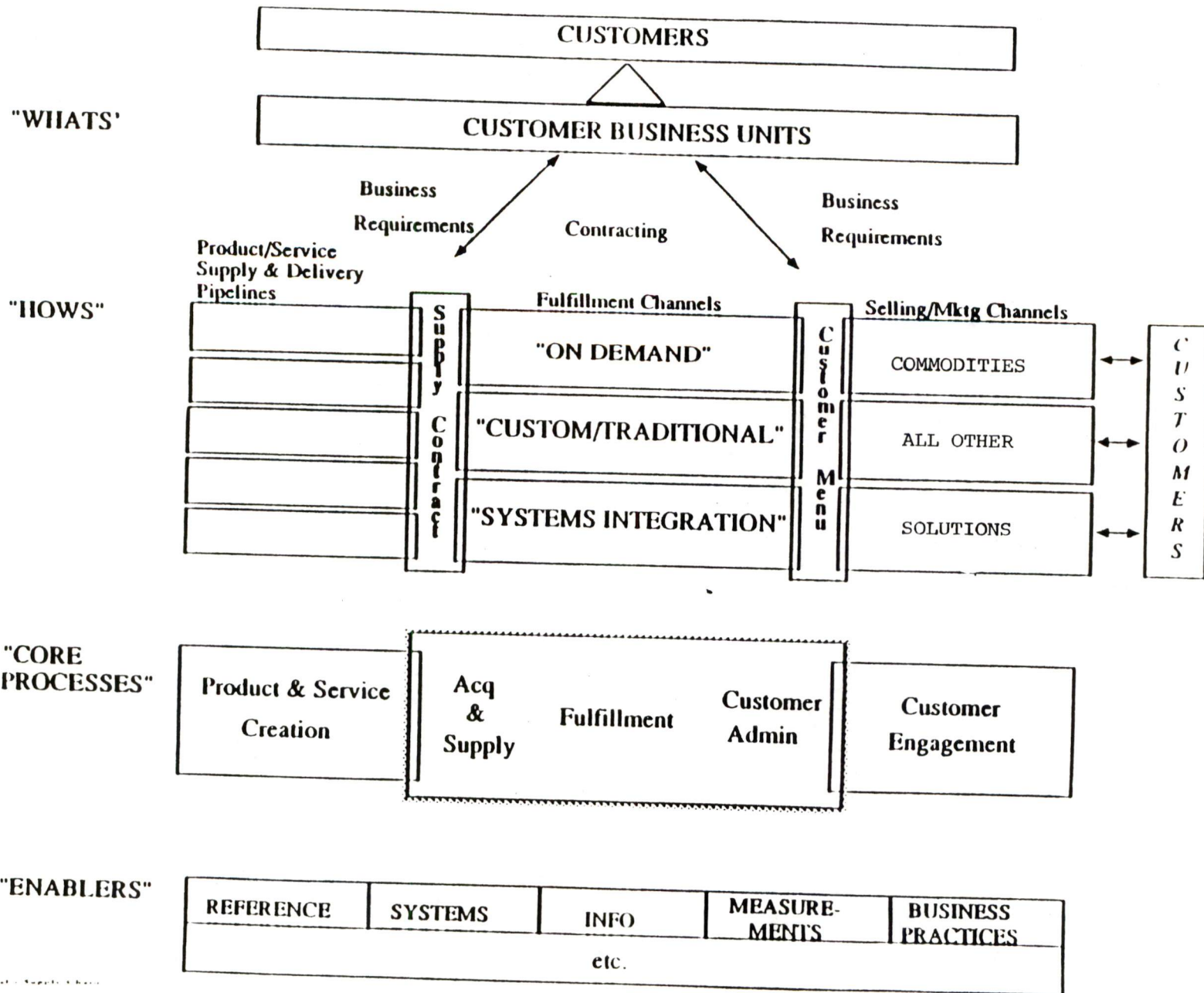


## Implementing the Business Model

- \* Engineering to simplify product strategy, focusing on core competencies. Dialogue to be established between Engineering and Business Units to understand the needs of the customer and respond to these needs.
- \* Supply and delivery mechanisms restructured to satisfy customer needs; process will expand to include product and service creation and customer engagement processes:
  - o Merchandising
  - o Resellers
  - o Complex Systems/Direct Sales
  - o SI/Professional Services/Consultative Sales

The re-engineering of these Company core processes in an integrated way will be managed by the Supply Chain Program Office.

- \* The Supply Chain will deliver value as seen by the customer and will make it easier to do business with us.
- \* Time is a competitive weapon.



## EXPECTED BEHAVIORS

- \* FOCUS ON THE CUSTOMER
- \* BEST INTEREST OF THE COMPANY
- \* TEAMWORK
- \* INTEGRITY
- \* ACCOUNTABILITY
- \* OPENNESS AND WILLINGNESS TO LEARN
- \* WILLINGNESS TO EMBRACE CHANGE

A. Stadecker  
March 1993





# **Business Planning**

# **Business Planning Agenda**

## **□ Business Planning**

- Mission and Deliverables
- Overall Process
- Team
- Plan Inputs/Outputs
- Calendar

## **□ Partnering**

- Funding Flows
- Revenue Flows
- Business Unit/Territory Contracting
- Support Resources

# **Worldwide Business Unit - Territory Partnering Meeting**

## **Meeting Objectives:**

**Clear path forward to meet all milestones for the development and implementation of the Integrated FY 94/95 Business Plan**

**Personal Relationships established that will carry the Partnerships through successful implementation**

# FY 94 - 95 Business Planning

## Context

- Major Activities are taking place in Parallel
  - Delivery of the FY93 Plan
  - Development of the Corporate Strategic Plan
  - Development of the FY 94/95 Business Plan

## Business Planning Mission

Develop the Management Process that will ensure that the B.O.D. approved, integrated Digital FY94-95 Business Plan is implemented.

# Business Planning Deliverables

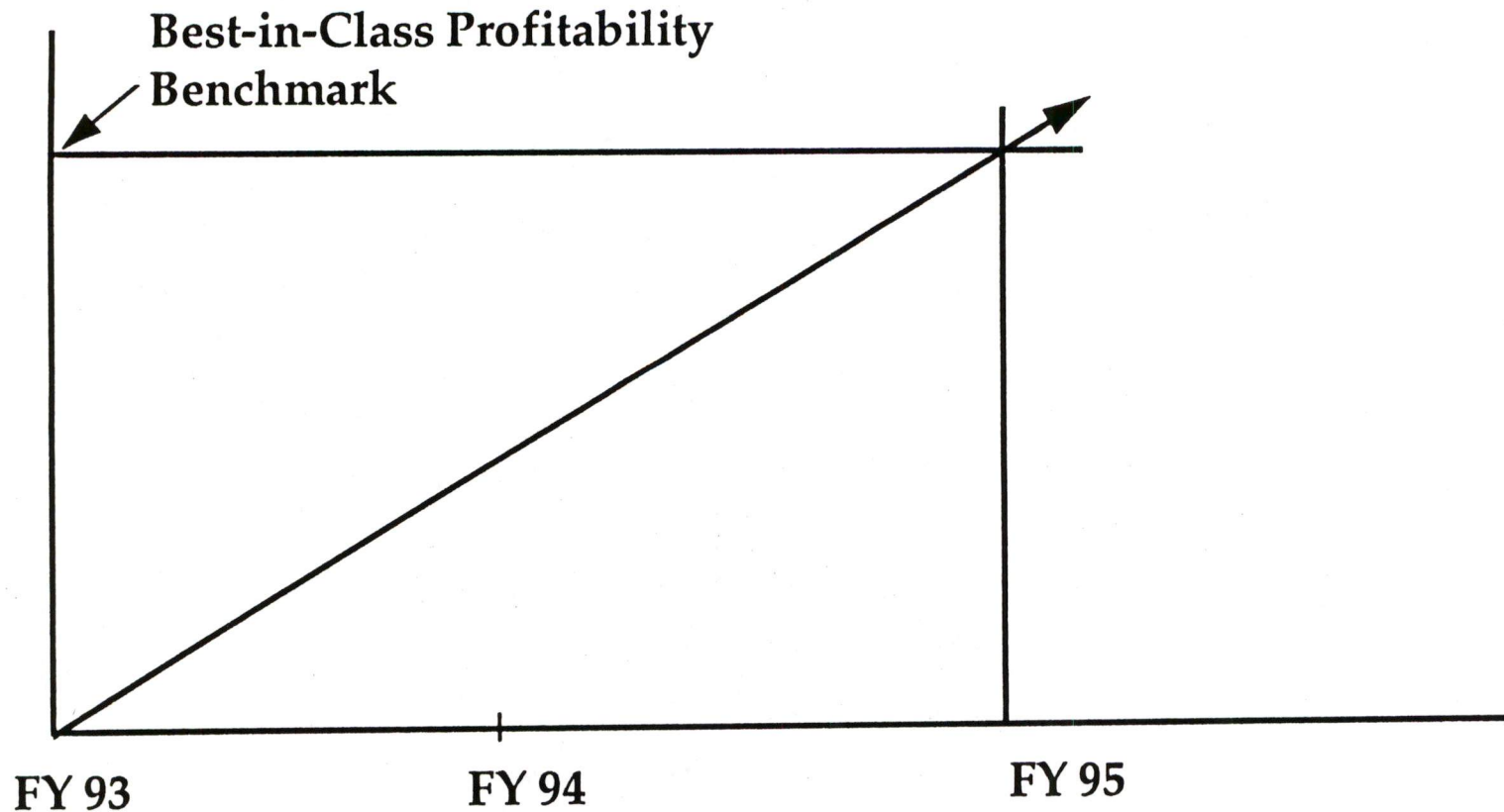
- The FY 94-95 Business Plan
- Management Processes necessary to Implement the Plan

# **FY 94 - 95 Business Planning**

The FY 94 - 95 Business Plan will provide increased focus on the Customer by:

- Delivering individual Business Unit business plans achieving profitable growth in FY94 - 95
- Delivering supporting territory and functional plans achieving benchmark by Q4, FY94
- Being integrated into One Planning Process
- Be completed for final approval at the June 17th Board meeting

# Achieving Best-in-Class



- Focused Effort to Achieve Best in Class Profitability by FY95



# DIGITAL BUSINESS PLANNING PROCESS

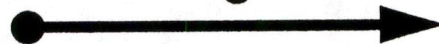


## “Getting Ready” Phase



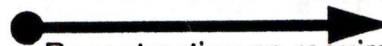
- Summary Business Unit, Territory & Functional Plans into Business Planning System (2/12)
- Review of Summary Business Plans by Senior Leadership Team (“Feb Check-In”) (2/17)
- Full Advice Package from Business Units, Functions & Territories into BPS (2/26)

## Partnering Phase



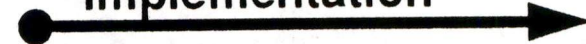
- Worldwide BU-Territory Partnering Meeting (3/01)
- “Partnership Agreements Complete” (4/07)
- Full 2 Year Business Plans for Business Units into BPS (4/16)
- Business Unit business plans reviewed by SLT (4/28)

## Consolidation & Approval Phase



- Recontracting as required (5/10)
- Full 2 Year Plans for Territories and Functions into BPS (5/10)
- Territory and Function business plans reviewed by SLT (5/20)
- Presentation to Board (6/17)

## Implementation



- Communications start (6/17)
- Implementation Starts (7/01)
- Quarterly Reviews

# Digital Business Planning Process

Develop and Implement New Management Processes



- 8 Quarter Revenue Plan Process
- Quarterly Plan Change Process
- Pricing Process
- Etc

# The Business Planning Team

- ❑ Company wide Cross-Functional Team
- ❑ Senior Managers from both Planning and Line Organizations
- ❑ Operating in the “New Digital” Style
  - Openness, Commitment
  - Company before Group
- ❑ Ensures Process is Integrated with other Management Processes
- ❑ Results Oriented

# Worldwide Business Planning Team

Discrete Manufacturing and Defense  
Consumer & Process Manufacturing  
Communications, Edu: & Entertainment  
Financial, Professional & Public  
Health Industries  
PC Business Unit  
Multi-Vendor Customer Services  
Components and Peripherals  
Storage

U.S  
GIA  
Europe

Strategic Planning  
Corporate Sales  
Marketing/Alpha Business  
Professional Services  
Engineering  
Manufacturing and Logistics  
Finance  
Human Resources  
Quality  
IM&T  
Budget  
Staff

Herb Shumway/Carol Reid  
Abbott Weiss  
Dave James  
Karen Kupferburg  
Lois Haskins  
Steve Whitney  
Ted Gavalis  
Mary Diaz-Przybyl/Jim Willis  
Jim Kutrubes

Bob Schmitt  
Ray Wood  
Toni Steiner

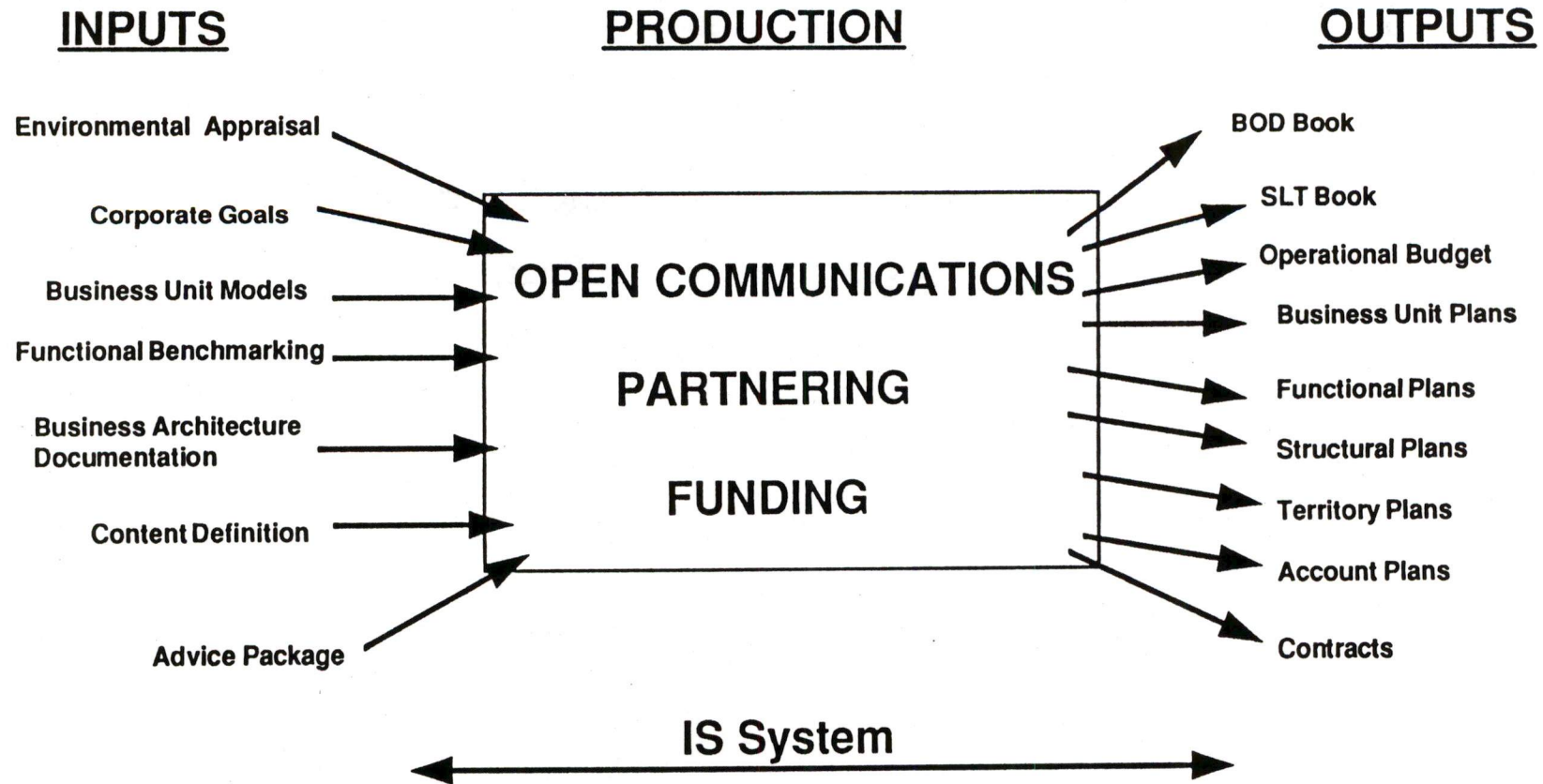
Lucia Quinn  
Clem O'Brien  
Bruce Anderson  
Dick Scarborough  
Bill Koteff  
Pete Rego  
Frank Binder  
Maurice Vanderpot  
Bob Kennedy  
Jan Hopland  
Bob Faulconer/Shoab Quraeshi  
Mhairi Paget  
Tom Richardson

## Business Planning Principles

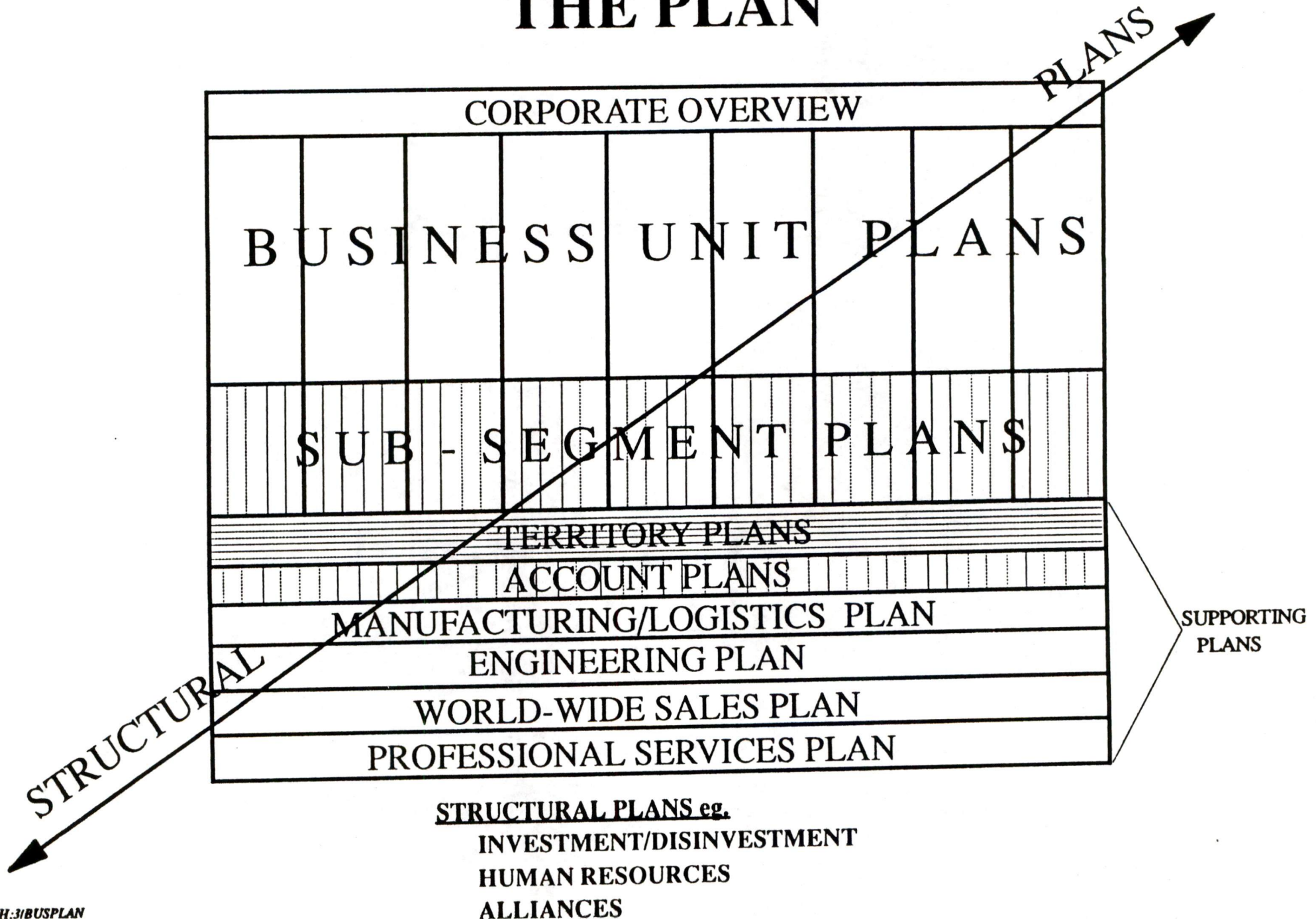
- ❑ The Corporate Business Plan is the Sum of the Business Unit Plans
  
- ❑ All of Digital's Spending will be Managed through and Contracted by Business Units (through Partnership Agreements)
  
- ❑ Partnership Agreements are Open (internally), leading to Accountability

# The Business Plan

## Inputs-Production-Outputs



# THE PLAN



# FY94-95 Business Planning Calendar

## Key Dates

### Submission

### Management Review

2/16 Business Unit Overview and Models; input to Business Planning System (BPS)

2/17-18 Business Unit 'Check-in': Business Unit Overview and Competitive Models reviewed by Senior Leadership Team (SLT)

4/7 BU/Territory Partnership Agreements complete in BPS

4/16 BU Business Plans in BPS

4/28-30 Business Unit plans reviewed and approved at Management Woods

5/10 Function/Territory Plans in BPS

5/20-21 Function/Territory plan reviewed and approved at Management Woods

6/4 Detailed 8-qtr operational budgets input to BPS

6/17 Full Business Plans and detailed 8-qtr operational plans reviewed and approved by the Board



# FY94-95 Business Planning Calendar

## Supporting Activities

<u>Date</u>	<u>Event</u>
3/1-3	<b>Contracting kick-off meeting held between Business Unit Territory managers and selected functional managers</b>
3/1-4/7	Contracting process occurs
3/9	BUF reviews W/W Sales Corporate Operations, Corporate Marketing and Alpha Program Office dialogue/funding proposals
3/12	Business/Operating Plan templates available in BPS
3/23	BUF reviews and approves funding for Engineering, PS/SI, and W/W Sales
3/30	BUF reviews and approves funding for Supply Chain, Corporate Operations, Corporate Marketing and Alpha Program Office
4/7	Business Unit and Territory Partnership Agreements complete and entered into BPS
4/15	<b>Overview of Digital Business Planning Process presented to the Board</b>
4/16	Business Unit two-year Business Plans entered into BPS

# FY94-95 Business Planning Calendar

## Supporting Activities

<u>Date</u>	<u>Event</u>
4/26	BPT delivers Business Unit Plans (including assessment) to SLT
4/28-4/30	<b>Business Unit Plans reviewed and approved at SLT Woods</b>
4/30-5/10	Recontracting, as required
5/10	Territory and Functional Plans complete in BPS Business Unit Plans revised, as required
5/18	BPT delivers Territory and Functional Plans (including assessment) to SLT
5/20-21	<b>SLT review and approval of selected Territory Plans, major Functional Plans and revised Business Unit Plans</b>
5/24-6/4	Recontracting, as required
6/4	Detailed 8-qtr Operating Budget input to BPS
6/11	CCH delivers 8 qtr Budget for Board Dry Run
6/17	<b>Business Plans and detailed 8 quarter operating budgets reviewed and approved by the Board of Directors</b>

# Business Planning Agenda

## □ Business Planning

- Mission and Deliverables
- Overall Process
- Team
- Plan Inputs/Outputs
- Calendar

## □ Partnering

- Funding Flows
- Revenue Flows
- Business Unit/Territory Contracting
- Support Resources

## Advice and Information Packages

- ❑ **Advice Packages are developed by the nine Business units**
- ❑ **Information Packages are developed by:**
  - the thirteen Territories
  - and,
  - Functions including:
    - » Human Resources
    - » Professional Services
    - » Engineering
    - » Worldwide Sales
    - » Supply Chain

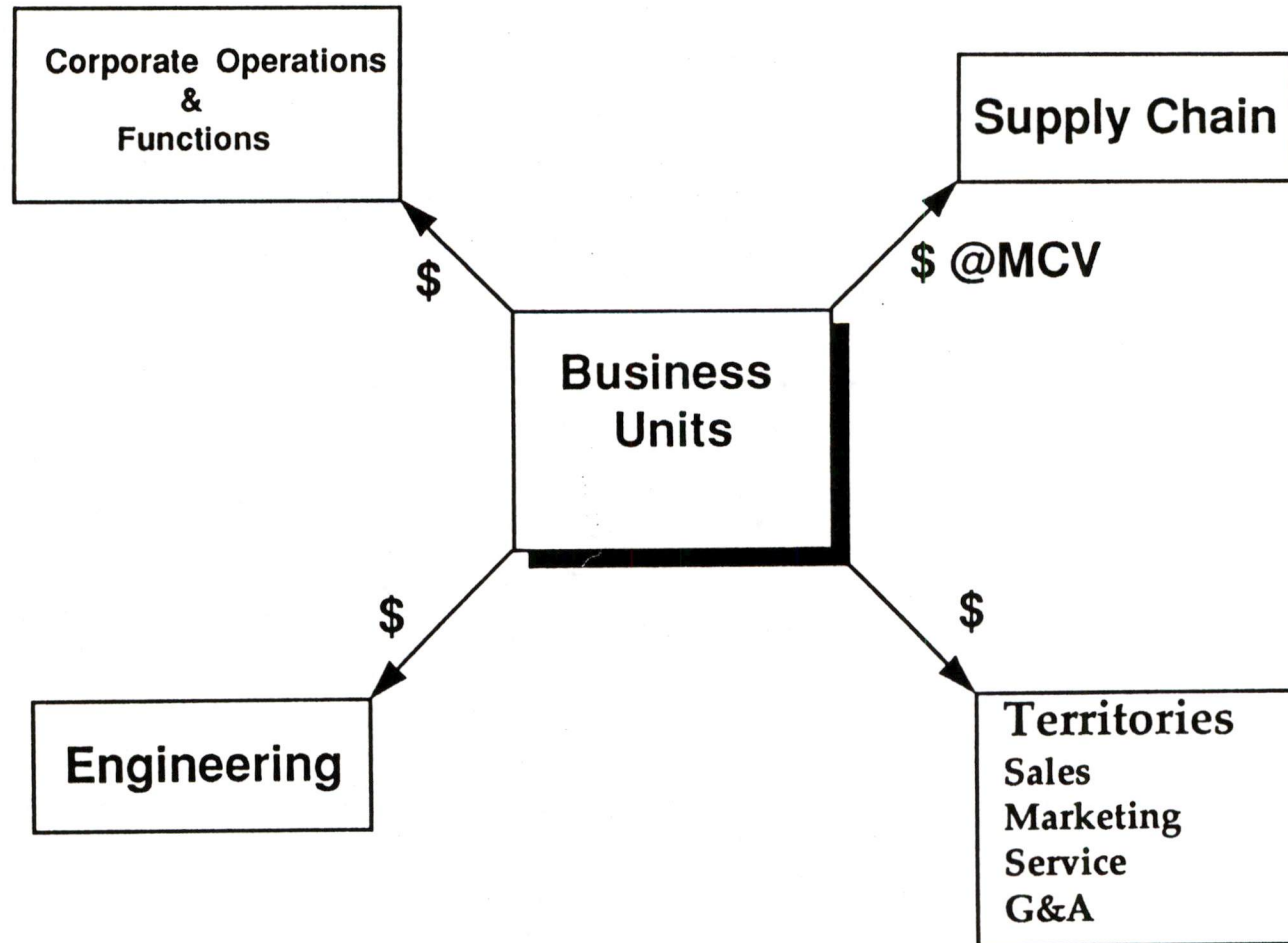
# Partnering / Contracting Processes

**Dialoging:**            **Between Business Units**  
**Contracting:**        **Between Business Units and Territories**  
**Funding:**            **Leads to Functional Plans approved at BU Forum**

## Approach to Partnering:

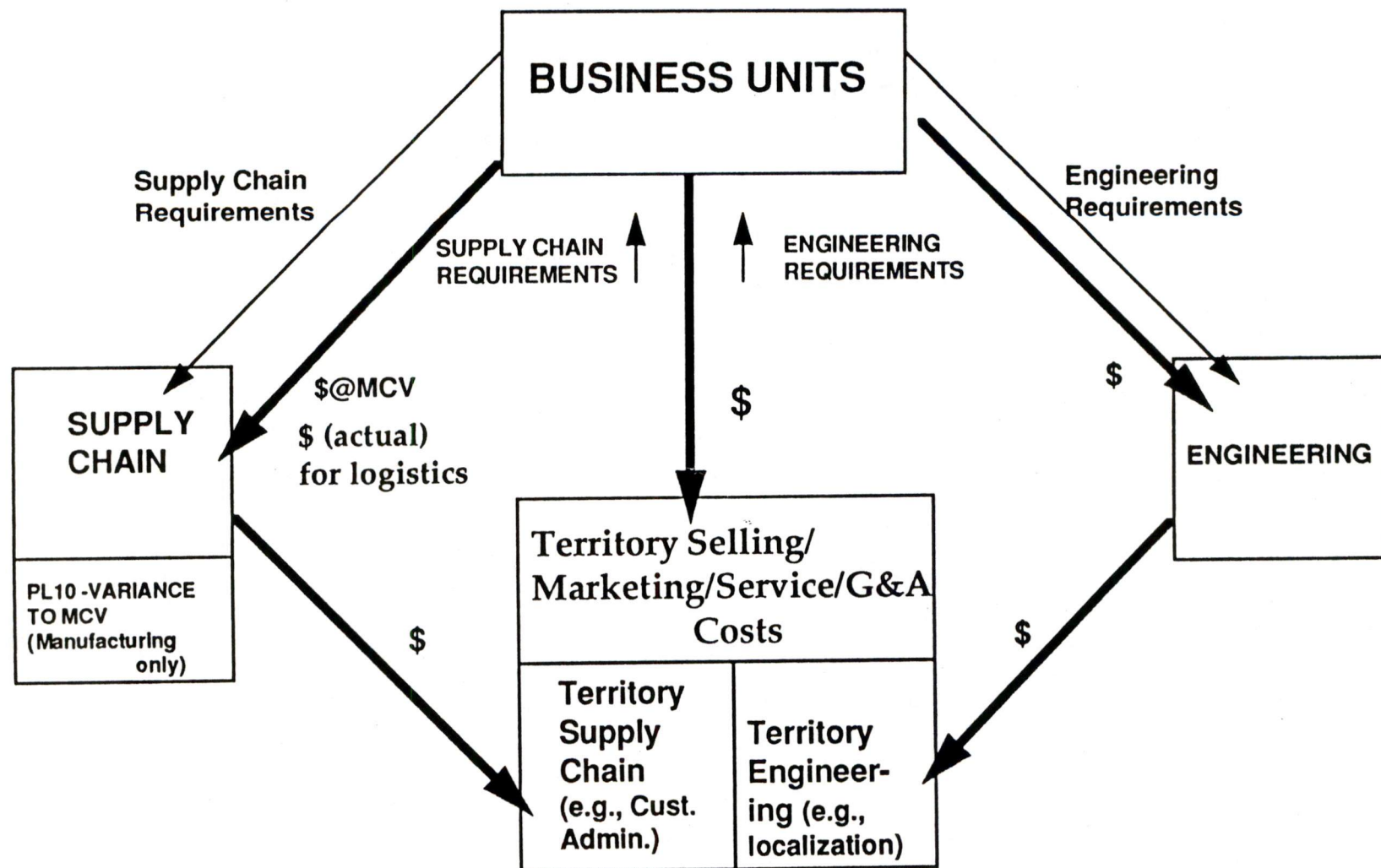
- TODAY: Worldwide Business Unit - Territory Kickoff (March 1, 1993)
- Business Unit/Territory or Function engagement Processes conducted
- Partnership Agreements will be in Business Planning System by April 7, 1993

# Funding Flow Model



SLT Approved. Revised 2-17-93.

# Business Requirements & Funding Flow Model



SLT Approved. Revised 2-17-93.

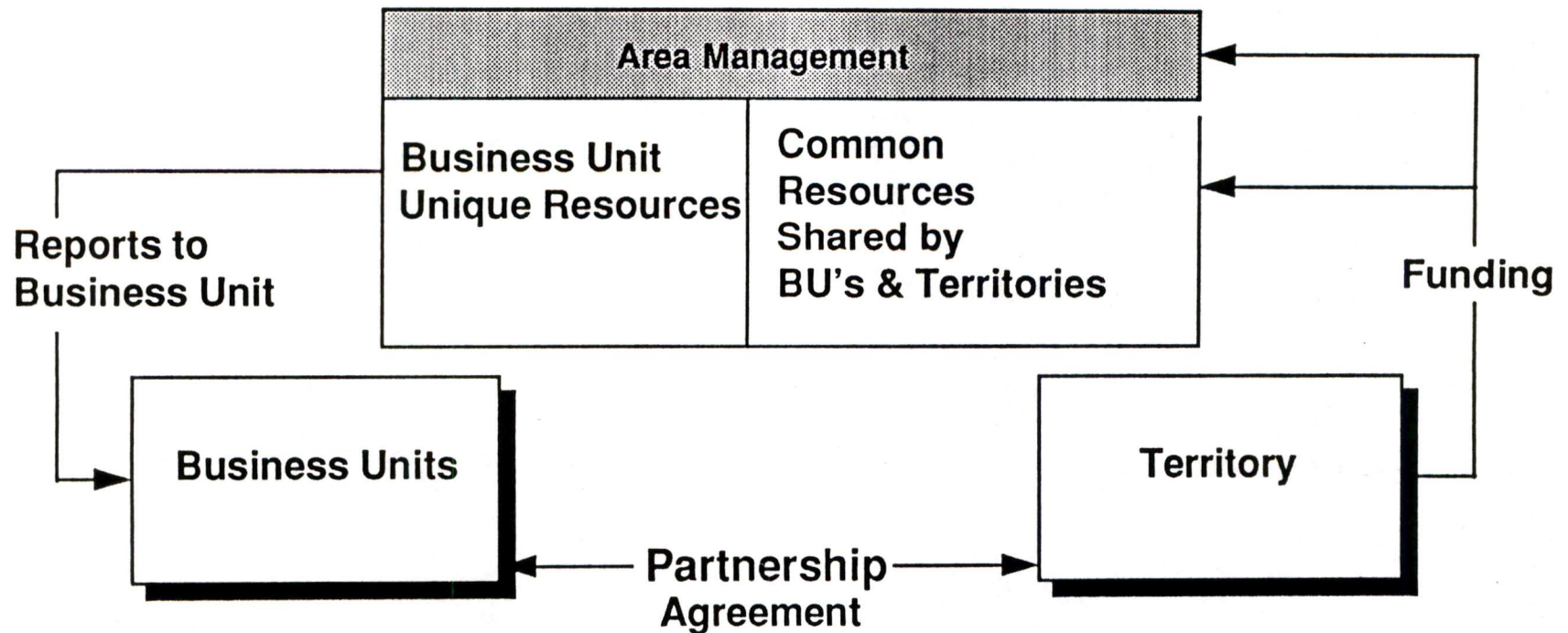
# Territory Plan Sources

	<u>Business Unit</u> <u>Territory Partnership</u>	<u>Supply</u> <u>Chain</u>	<u>Engineering</u>
<u>P&amp;L</u>			
NOR	X		
Professional Services	X		
Gross Margin	X		
Selling	X		
Marketing	X		
Engineering			X
Logistics/Customer Admin		X	
G & A	X		

SLT Approved. Revised 2-17-93.



# Business Unit/Geography Relationship



## COVER SHEET

- \* Summary Quantitative Information  
- NOR, Expenses, Gross Margin
- \* Summary Qualitative Information

## Worksheets(completed as appropriate)

NOR, Expenses, Accounts, Selling,  
Marketing, Professional Services,  
Investments

117 Agreements: 9 Business Units x 13 Territories

SLT Approved. Revised 2-17-93.

# Partnership and Funding Agreements

## Type

## Results

## Dates

### Contracting Processes

BU/Territory Partnership Agreement

117 P/A which capture  
BU/Territory NOR and  
Sales/Marketing/Service  
/G&A expenses

Start 3/1  
End 4/7

### Other Processes

Territory ↔ Territory  
Territory → Area  
Business Unit → Area

Contracts written

Start 3/1  
End 4/7

Supply Chain → Territory

13 Territory Supply Chain  
Contracts

Start 4/8  
End 4/22

Engineering → Territory

13 Territory Engineering  
Contracts

Start 4/8  
End 4/22

VI. CS (COVER SHEET)

TERRITORY \_\_\_\_\_

TERRITORY MANAGER \_\_\_\_\_

BUSINESS UNIT \_\_\_\_\_

BUSINESS UNIT MANAGER \_\_\_\_\_

DATE CONTRACT SIGNED \_\_\_\_\_

SUMMARY QUANTITATIVE INFORMATION

	Q493 FCST	FY93 FCST	Q194	FY94 TOTAL	FY95 TOTAL
NOR (from Form N)	_____	_____	_____	_____	_____
GROSS MARGIN	_____	_____	_____	_____	_____
EXPENSE (from Form E)	_____	_____	_____	_____	_____

SUMMARY QUALITATIVE INFORMATION

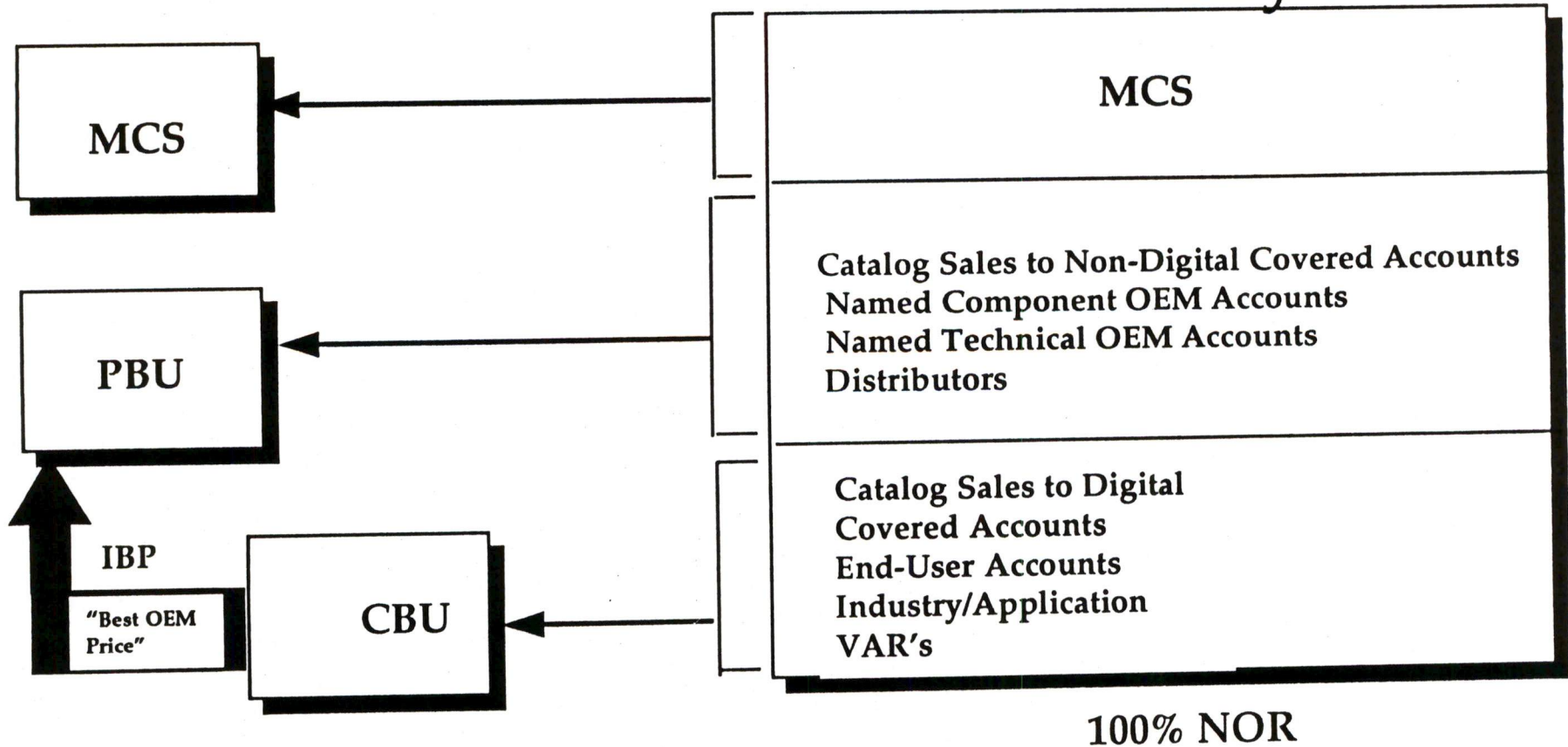
(Please provide a short narrative covering the following points)

- BU STRATEGY STATEMENT
- BU KEY INITIATIVES, MILESTONES, DEPENDENCIES
- BU KEY PROGRAMS
- TERRITORY STRATEGY STATEMENT
- MARKET SHARE %

INVESTMENTS FROM FORM I - (name only)

# Which Revenue Flows Which Way ?

## Territory



Inter Business Unit Pricing (IBP) is at Best OEM Price and is invisible to Territory in the Partnership Agreement

SLT Approved. Revised 2-17-93.

# CBU / MCS Relationship

## BIDS

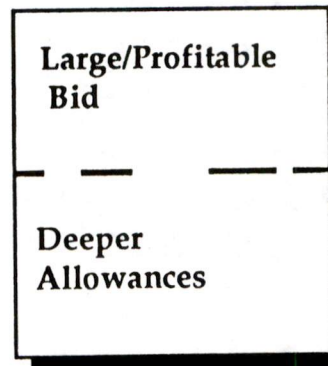
Goal - Speed/Profit

### Field



Delegated

(Same % as Products)



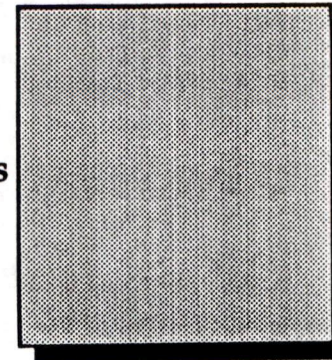
Escalate

(FAST PATH)

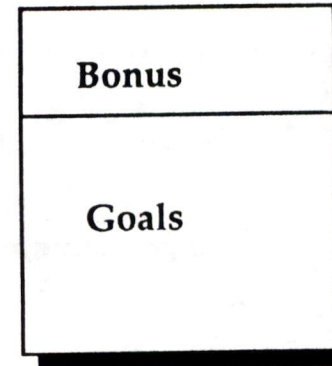
## SALES

Goal - Marketplace Focus

MCS Specialists



Account MGRS/  
REPS



Funded by MCS

Funded in Territory & Accounts by CBU/MCS/Etc

**Account Planning** ←-----→ **Contracting**  
**Account Segmentation**

**Covered Accounts**

**International**

**Local**

**Planned Accounts**

**Worldwide**

**Cross  
Territory**

**Large  
National**

**Territory-Driven  
Budgeted Accounts**

**145 Accounts  
\$2.5 Billion**

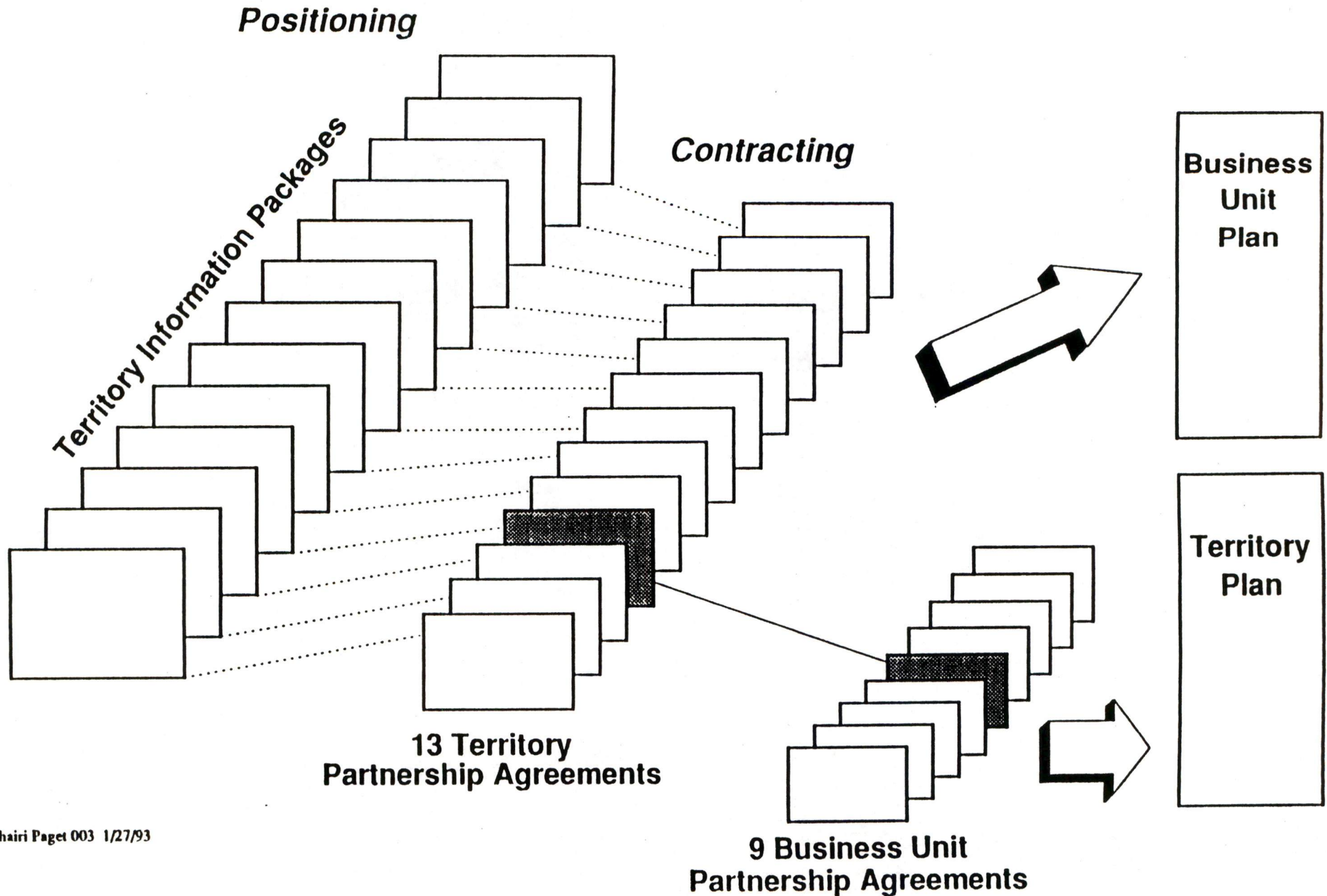
← *Current International  
Account Planning*

**400 Accounts  
\$3.5 - 4.0 Billion**

← *Proposed International  
Account Planning*

**1000's Accounts  
\$6 Billion**

# Business Unit and Territory Engagement



# **Partnership Agreement** **Framework**

- **Cover Sheet and set of Worksheets**
  
- **Defines Business Unit/Territory Affordability by Customer Engagement Model**
  - Provides framework for developing Best in Class S G&A models
  - Provides focus for identifying appropriate Customer Engagement Model for Products



# Customer Engagement Models

	Commodity	All Other	Solutions
NOR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Service Expense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gross Margin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Selling Expense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marketing Expense	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<hr/>	<hr/>	<hr/>

# Business Planning Support

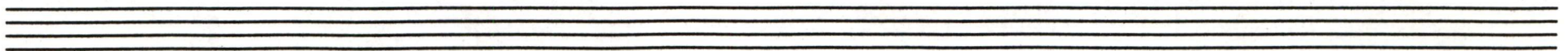
## Whom to Contact:

		<u>Node:</u>	<u>dtn:</u>
Henry Ancona	VP, Corporate Business Planning	core::	223-9800
Shoaib Quraeshi	Corporate Budget Manager	memit::	223-4717
Tom Richardson	Partnering / Contracting Manager	mrktng::	264-3961
Clem O'Brien(after 3/22)	Partnering / Contracting Manager	memit::	223-4738
Mhairi Paget	Business Planning Process Manager	rolaid::	223-5663

# Partnership Agreement

Process of Partnership

Partnership Agreement





**WORLDWIDE PARTNERSHIP MEETING**

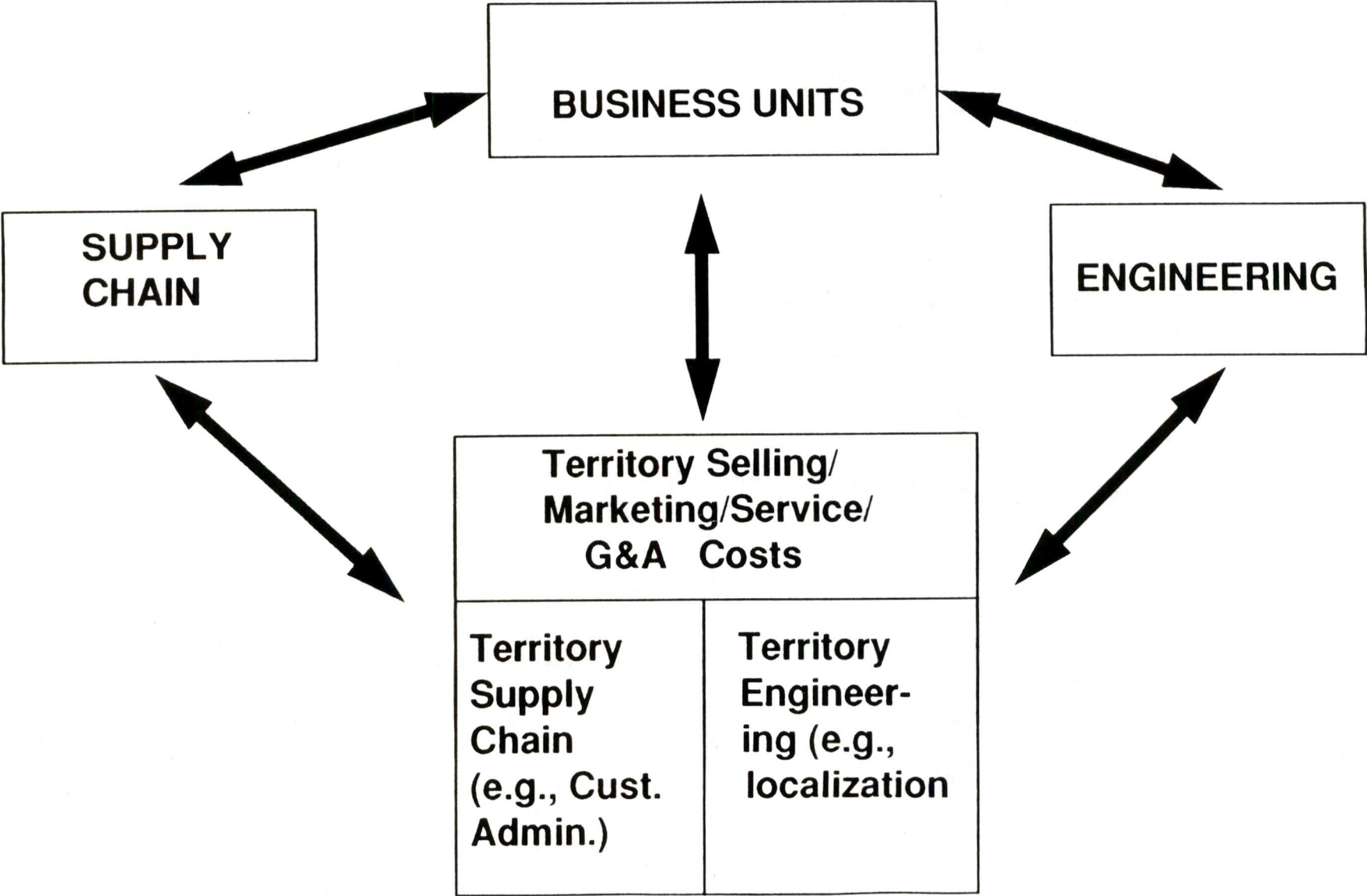
**PARTNERSHIP AGREEMENTS**

# **Business Unit Territory Partnership Agreement**

## **Process of Partnering**

- o Two way dialogue leading to an agreement.**
- o The Partnership Agreement is a tool to help the dialogue.**

# Process of Dialoging



# Process of Partnering

## Two way dialogue leading to agreement

- **From where will the revenue come?**  
*Well understood account mix... agreed to between business unit and territory.*
- **How will we reach our customer?**  
*Delivery channels available and required... agreed to between business unit and territory.*
- **What do our customers need?**  
*Solutions, products, services, mix...agreed to between business unit and territory.*
- **How much?**  
*Agreement on revenue...*  
*Agreement on costs...agreed to between business unit and territory.*
- **How will it change over time?**  
*Well understood strategies...agreed to between business unit and territory.*



## **Two way dialogue leading to agreement**

**For each Business, the Territory answers the following:**

**What is the list of accounts that are key to this business?**

**In which key accounts should the Business Unit invest ?**

**What are the major solutions required for these customers?**

**What channels are available for delivery? What channels are required?**

**What are the SI/Prof. Services support resources available and required?**

## **Two way dialogue leading to an agreement**

**For each Territory, the Business Unit answers the following questions.**

**What is your:**

**Business Unit strategy?**

**Account strategy? Sales Support strategy?**

**Solutions portfolio and new product offerings?**

**Channels strategy?**

**Marketing programs?**

# **Business Unit Territory Partnership Agreement**

## **Process of Partnering**

- o **Two way dialogue leading to an agreement.**

- o **The Partnership Agreement is a tool to help the dialogue.**

# **Process of Partnering**

**The Partnership Agreement is a tool to help the dialogue.**

- **Partnership Agreement for Sales, Services, Marketing and G&A will be between the nine Business Units and 13 Territories.**
- **The Partnership Agreement will be a summary document and supported by extensive detail.**
- **Partnership Agreement is still evolving - call with feedback.**
- **Partnership Agreement will be used as a basis for budgeting ; it is not the budget.**

## TIMETABLE

- Feb. 26** - Advice packages available from Business Units  
- Information packages available from territories
- March 1** - Introduction of Partnership Agreement Process  
- Partnership Agreement Forms and Instructions available
- March 2** - Ongoing - Business Units and Territories manage  
their individual processes
- April 7** - Business Unit/Territory Partnership Agreement completed  
and needs to be entered into the Business Planning System

# HOW TO CREATE A BUSINESS UNIT TERRITORY PARTNERSHIP AGREEMENT

## TABLE OF CONTENTS

- I. DEFINITION
- II. GOALS
- III. RESULTS EXPECTED
- IV. PRINCIPLES AND ASSUMPTIONS OF THE PARTNERSHIP AGREEMENT
- V. PARTNERSHIP AGREEMENT GENERAL INSTRUCTIONS
- VI. PARTNERSHIP AGREEMENT COVER SHEET, FORMS, DEFINITIONS AND DETAILED INSTRUCTIONS:

<u>FORM</u>	<u>DESCRIPTION</u>	<u>RESOURCE</u>
FORM CS	Cover Sheet	Mhairi Paget/Shoaib Quraeshi
FORM N	Net Operating Revenue	Steve Humphrey
FORM E	Expenses	Mhairi Paget/Shoaib Quraeshi
FORM A	Accounts	John Markiewicz
FORM S	Selling (CBU/PBU)	Clem O'Brien
FORM S-MCS	Selling (MCS)	Ted Gavalis
FORM MCS	MCS	Ted Gavalis
FORM P	Professional Service	Nick Sharma
FORM M	Marketing	Bruce Anderson
FORM I	Investment	Mhairi Paget/Shoaib Quraeshi



FORM CS (COVER SHEET)

Territory:

Territory Manager:

Business Unit:

Business Unit Manager:

Date Contract Signed:

---

Summary of Quantitative Information

	Q4FY93 FCST	FY93 FCST	Q1FY94	FY94 TOTAL	FY95 TOTAL
NOR (From Form N)					
GROSS MARGIN					
EXPENSE (From Form E)					

**SUMMARY OF QUALITATIVE INFORMATION**

(Please provide a short narrative covering the following points)

- BU STRATEGY STATEMENT
- BU KEY INITIATIVES, MILESTONES, DEPENDENCIES
- BU KEY PROGRAMS
- TERRITORY STRATEGY STATEMENT
- MARKET SHARE %
- INVESTMENTS (FROM FORM I - NAMES ONLY)



FORM N  
 NOR  
 \$M IN CONSTANT \$U.S.

Business Unit: \_\_\_\_\_  
 Territory: \_\_\_\_\_

	Q4FY93 FCST	FY93 FCST	Q1FY94	FY94 TOTAL	FY95 TOTAL
Hardware (From Form S)					
Software (From Form S)					
Professional Svcs. (From Form S)					
MCS (From Form S-MCS)					
<b>TOTAL CUSTOMER NOR</b>					

Hardware, Software and Professional Services NOR is only needed for CBU and PBU Territory Contracts  
 MCS NOR is only needed for MCS Territory Contracts

**FORM E**  
**TERRITORY SELLING, PS, MARKETING AND OTHER TERRITORY EXPENSES**

Business Unit: \_\_\_\_\_  
 Territory: \_\_\_\_\_

	Q4FY93	FY93	Q1FY94	FY94	FY95
<b>SELLING:</b>					
CBU/PBU (From Form S) or MCS (From Form S)					
Professional Svcs. (From Form P) Marketing (From Form M)					
<b>OTHER TERRITORY EXPENSES:</b>					
Business Unit Other Expenses in Other Territories Area Expenses Funded by Territory G&A for Territory					
<b>Total Territory Expense</b> (Carry to Form CS [Cover Sheet])					

## **RESOURCES**

**Overall Partnering Process**

**Tom Richardson  
Clem O'Brien**

**DTN**

**264-3691  
244-6567**

**NODE**

**@TTB  
@AKO**

**Cover Sheet and Financial Questions**

**Mhairi Paget  
Shoaib Quraeshi**

**223-5663  
223-4717**

**@MLO  
@MLO**

**Multi-Territory Accounts**

**John Markiewicz**

**244-6669**

**@AKO**

**Selling Forms**

**Clem O'Brien**

**244-6567**

**@AKO**

**MCS Form**

**Ted Gavalis**

**276-8400**

**@OGO**

**Professional Services Form**

**Nick Sharma**

**276-8018**

**@OGO**

**Marketing Form**

**Bruce Anderson**

**223-3876**

**@MLO**

**Investment Form**

**Mhairi Paget  
Shoaib Quraeshi**

**223-5663  
223-4717**

**@MLO  
@MLO**

**Business Planning System**

**R J Mathew**

**223-4717**

**@MLO**

## SUMMARY

- ❑ - **Business Units drive the process of dialogue with the territories.**
  
- ❑ - **This is a challenging but achievable goal.**
  
- ❑ - **Process of Partnering is leadership.**



**Selling Models  
And The  
FY94 Partnership Agreements**

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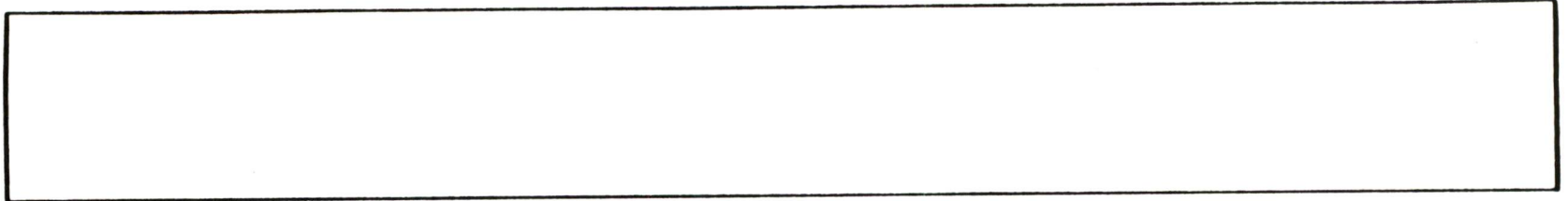
Digital Internal Use Only

# Market Evolution

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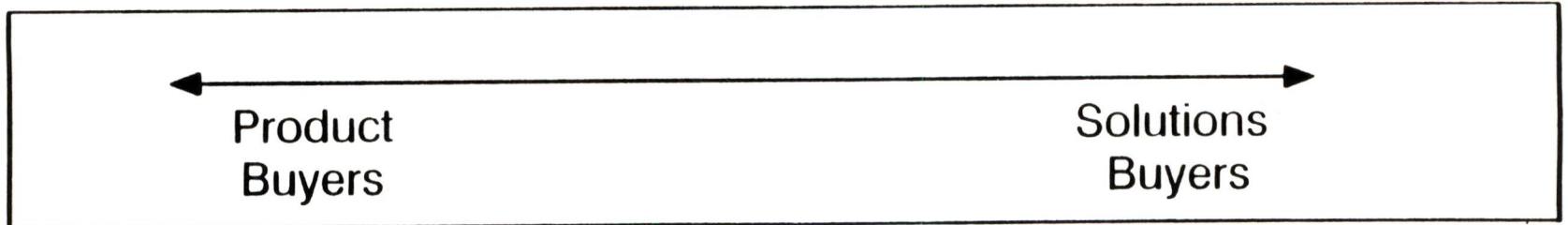
## Traditional Market

1970s



## Fragmenting Market

1980s



## Segmented Market

1990s



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# Learning From Benchmark Competitors

---

	Commodity Buyers	Component Buyers	Application Buyers	System Buyers	Custom Buyers
Critical Success Factors	<ul style="list-style-type: none"> <li>■ Fulfillment</li> <li>■ Branding</li> </ul>	<ul style="list-style-type: none"> <li>■ Technology standards/innovation expertise</li> <li>■ Rigorous qualification</li> </ul>	<ul style="list-style-type: none"> <li>■ Business process expertise</li> <li>■ Rapid qualification</li> </ul>	<ul style="list-style-type: none"> <li>■ Industry IT knowledge</li> <li>■ Product pull</li> <li>■ Repositioning to other channels when possible</li> </ul>	<ul style="list-style-type: none"> <li>■ Intellectual capital</li> <li>■ Disciplined integrated continuous value selling &amp; delivery</li> </ul>
Selling Model	<ul style="list-style-type: none"> <li>■ Mass merchandising model</li> </ul>	<ul style="list-style-type: none"> <li>■ Design-in model</li> </ul>	<ul style="list-style-type: none"> <li>■ VAR network model</li> </ul>	<ul style="list-style-type: none"> <li>■ Direct sales model</li> </ul>	<ul style="list-style-type: none"> <li>■ Industry &amp; functional practices model</li> </ul>



# Understanding Buyer Segments

Segment:	Commodity Buyers	Component Buyers	Application Buyers	System Buyers	Custom Buyers
Products:	<ul style="list-style-type: none"> <li>Commonly understood, off-the-shelf, plug &amp; play</li> </ul>	<ul style="list-style-type: none"> <li>Embedded products &amp; services</li> </ul>	<ul style="list-style-type: none"> <li>Bounded repeatable applications</li> </ul>	<ul style="list-style-type: none"> <li>Technology solution to defined problem</li> </ul>	<ul style="list-style-type: none"> <li>Business performance result</li> </ul>
Buyers:	<ul style="list-style-type: none"> <li>Individuals</li> <li>Departments</li> <li>Enterprises</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;D, engineering, manufacturing managers</li> </ul>	<ul style="list-style-type: none"> <li>Small business owners</li> <li>Departmental managers</li> </ul>	<ul style="list-style-type: none"> <li>Departmental &amp; MIS managers</li> </ul>	<ul style="list-style-type: none"> <li>P&amp;L managers</li> </ul>
Buyer Reference	<ul style="list-style-type: none"> <li>Availability/delivery</li> </ul>	<ul style="list-style-type: none"> <li>Guaranteed sourcing</li> </ul>	<ul style="list-style-type: none"> <li>Functional form/FIT</li> </ul>	<ul style="list-style-type: none"> <li>Technology/integration expertise</li> </ul>	<ul style="list-style-type: none"> <li>Business/integration expertise</li> </ul>

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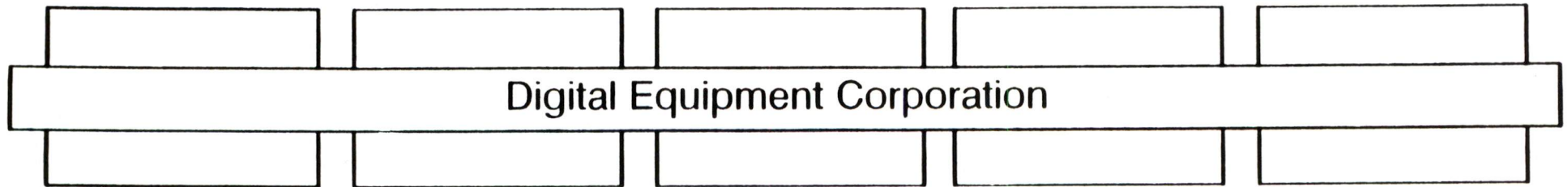
# Managing Change

---

- Careful planning/learning
- Resource redeployment
- Resource reskilling
- Channels development
- External factors

# The Broad-Based Player In A Segmented Market

---



## Recognize Segment Realities

- Customer preference
- Competitive response
- Profitability factors

## Create Focus In

- Product offerings
- Market conditioning
- Channel utilization

## Leverage Integration thru

- Investment extension
- Shared resource
- Leads/opportunities

# Ability To Achieve FY94 Goal Derives From 3 Significant Objectives

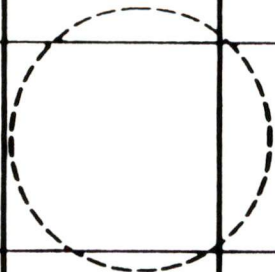
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- Utilize DMO as selling channel
- Utilize channel partners to sell for Digital
- Focus direct sales on selling business solutions

# Drive Revenue By Segment

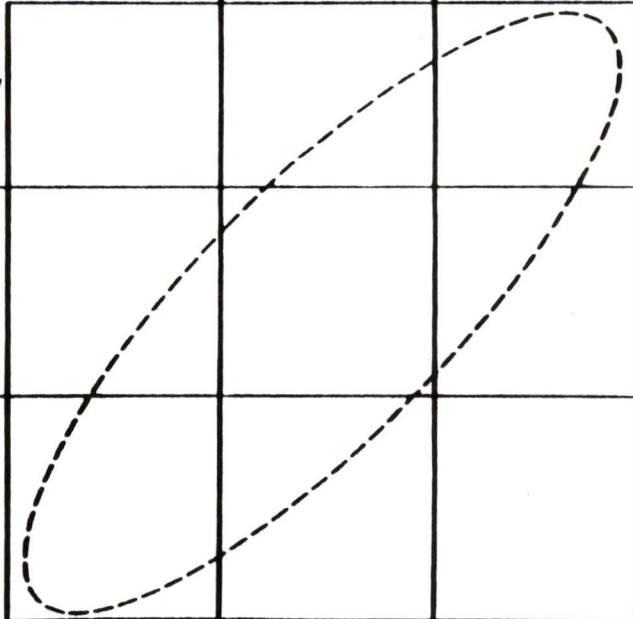
Today

	Direct	Partner	DMO
Commodity			
All Other			
Solutions Business			



FY94

	Direct	Partner	DMO
Commodity			
All Other			
Solutions Business			



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# CBU Model (cont.)

---

## Direct Sales

### Commodity

- Specialist selling effort to place Digital on the Preferred Vendors List and directly selling very large volume deals

### All Other

- Prod/Appl Specialist targeting large opportunities and refers all else to partners

### Solutions

- Creates and maintains a Consultative relationship based on business and industry expertise targeting Systems Integration opportunities
- Primary role of account manager

# CBU Model

---

	Direct	Partner	DMO
Commodity	Specialist	Leverage CBU Channels	Primary Channel
All Other	Specialist	Primary Channel	Complex Add-ons Upgrades
Solutions Business	Primary Channel	Other Prime	N/A

# CBU Model (cont.)

---

## DMO

### Commodity

- Primary selling strategy for this segment
- DMO programs (catalogue/telesales) targeting CBU named accounts

### All Other

- Leverage DMO (telesales) capability to capture add-on, upgrade and installed base business

### Solutions

- N/A



# CBU Model (cont.)

---

## Partner Sales

### Commodity

- Principally a marketing focus to capture commodity sales through CBU channels

### All Other

- Sales and Marketing resources to Recruit/Support CBU channels as primary selling strategy in this segment

### Solutions

- Alliance manager creates and maintains strategic business relationship with prime contractors

# PBU Model

---

Direct	Partner	DMO
Specialist	Distribution	Demand Creation

## Direct

- Dedicated PBU sales specialists targeting, volume sales to named OEMs

## Partners

- Channel Manager required to manage distribution partners

## DMO

- Marketing programs to support Demand Generation and Mass Merchandising infrastructure (catalog, telesales)

# Form "S" (CBU)

## CBUs

FY93 Form 'S' (CBU)		Direct Selling	Via Partnering	Through DMO	Total
Commodity	NOR Expense				
All Other	NOR Expense				
Business Solutions	NOR Expense				
Total	NOR Expense				

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# MCS Model

	Direct	Partner	DMO
CBU Driven	<ul style="list-style-type: none"> <li>■ MCS Sales Support</li> <li>■ MCS Consult</li> </ul>	Zone Manager	N/A
Base	Base Sales Specialist	Value Added Service Managers	Base Telesell Specialist
New Business	<ul style="list-style-type: none"> <li>■ MCS Sale Spec</li> <li>■ Vendor Sales Specialist</li> </ul>	Zone Manager	<ul style="list-style-type: none"> <li>■ Telesupport</li> <li>■ Telemarketing</li> </ul>

# Form "S" (PBU)

## PBUs

FY95 Form 'S' (PBU)

FY94 Form 'S' (PBU)

FY93 Form 'S' (PBU)

Direct  
Selling

Via  
Partnering

Through  
DMO

Total

Commodity    NOR  
                  Expense

# Form "S" (MCS)

## MCSs

FY95 Form 'S' (MCS)

FY94 Form, 'S' (MCS)

FY93 Form 'S' (MCS)		Direct Selling	Via Partnering	Through DMO	Total
CBU Driven	NOR Expense				
Base	NOR Expense				
New Business	NOR Expense				
Total	NOR Expense				

# MCS Model (cont.)

---

## **Direct**

### **CBU Driven**

- MCS support to ensure the warranty content and MCS packages to be sold by the CBU
- Delivers MCS expertise to projects/programs in the solutions business

### **Base**

- Specialists who own annuity revenue (renewals, conversions, day 1 contracts, upsell)
- Direct resources will handle competitive issues or when face to face sales are appropriate

### **New Business**

- Specialist to grow target MCS markets PCI, MCS Off Base, Value added services, channels
- Specialists selling MCS as embedded service capability in other vendor or manufacturers offerings

### **Partners**

### **CBU Driven and New Business**

- Zone manager works with recruiting managers to maximize MCS penetration

### **Base**

- Value added service manager manages the base relationships. Includes administering annuity business unassisted.

### **DMO**

### **CBU Driven and New Business**

- N/A

### **Base**

- Telesell Specialists who own annuity revenue (renewals, conversions, day 1 contracts, upsell)

### **New Business**

- Mass Merchandising by DMO
- Telesupport required to address service product questions. Telemarketing programs in support of MCS services.

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# Partnership To Support FY94 Objectives

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Objective	Sales Dependencies	Other Partner Dependencies
■ Utilize DMO as <u>selling channel</u>	■ Focused metrics	■ Market pull
■ Utilize channel partners to sell <u>for Digital</u>	■ Skills development	■ Partner support
■ Focus direct sales on selling <u>business solutions</u>	■ Productivity tools	■ Integration of selling/delivery in direct model
		■ Order fulfillment



# SG&A Partnership

---

- Sales
  - Channel Utilization
  - Skills Development
  - Focused Metrics
  - Productivity Tools
  
- Marketing
  - Positioning
  - Pull
  - Image
  
- Product
  - Optimum Product Set
  - Product Leadership
  - Simple & modular
  
- Supply Chain
  - Streamlined Order Fulfillment
  
- Business Practices
  - Easy To Do Business With

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# Segment Definitions

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## **“Commodities”**

All product and services revenues from mass merchandising channels.

Products and services are commonly understood by buyers and are widely available, plug and play, off the shelf.

All expenses associated with DMO, dealer and retailer.

## **“All Other”**

Revenues and selling expenses associated with selling not included under “Commodities” or Business Solutions”.

## **“Solutions Business”**

All products and services revenues and selling expenses for all SI and Consulting activities including 3rd party revenues.

SI is defined as; requiring a Program manager, having non - standard T's & C's.

# Summary

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- Challenging but achievable goals
- Segmentation and focus key
- Partnership

# Channels Definitions

---

## **“Direct Selling”**

All revenue and selling expenses associated with sales where Digital sells directly to an end user except via DMO. Supporting costs for ISVs support (example, Oracle) should be included in these selling expenses – eg; selling with 3rd parties.

## **“Via Partner Selling”**

All revenue and expenses associated with supporting partner selling activities – eg; selling through 3rd parties.

## **“DMO Selling”**

Essentially all revenue and expenses for catalog sales.

## **“NOR”**

All products and services NOR included NOR from direct selling, selling via partners, 3rd parties and DMO.

## **“Selling Expense”**

All expenses related to selling products and services including expense from direct selling, support for partnering – eg; direct seller, funded sales support, management overhead including Area Sales/Sales Support and other pooled or contracted support from other sources.

6

***Worldwide Business Unit - Territory Meeting***

***Components and Peripherals Business Unit***

# ***Components and Peripherals Business Unit***

## ***Strategic Intent (Mission)***

*Maximize market share of C&P products in DIGITAL Named Industry Accounts by working closely with 5 CBUs and the PC Business Unit*

*Recapture our position as #1 or #2 in worldwide TOEM market*

*Plan, build and nourish the low cost, high volume channel of Wholesale Distributors and Dealers for all appropriate DIGITAL products to increase Sales and **profits***

# ***Components and Peripherals Business Unit***

## *Guiding Principles*

- *Be close to the customer*
- *Satisfy Customers' current and future needs*
- *Maximize productivity and performance for DIGITAL and C&P*
- *Increase our market share*
- *Lean organization for profitable growth*
- ***Work as a team with Territory Managers***



# ***Components and Peripherals Business Unit***

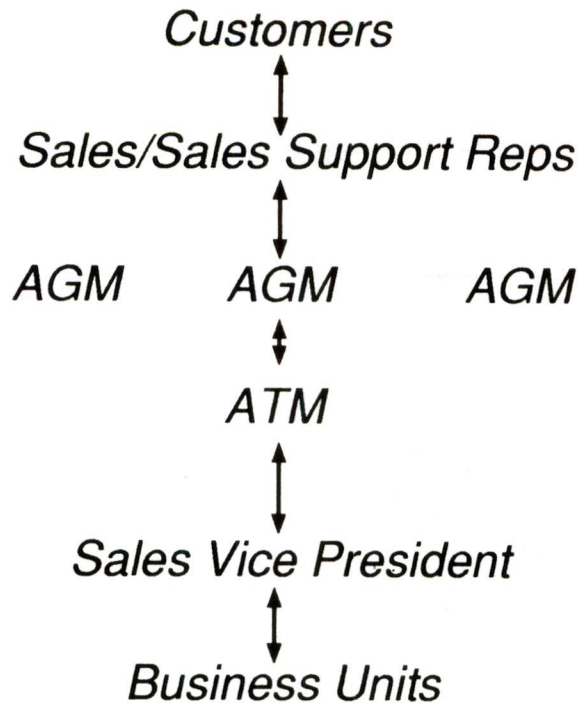
## **Sales Model Objectives**

- *No more than 2-3 layers between Customers and C&P*
- *All sales/support reps are dedicated to C&P goals*
- *Sales rep yields will range from \$3M for TOEM to \$5M for Video/Hardcopy, \$10M for OEM/PL, and \$15+M for Channels*
- *Goals and measurements will be established by C&P and Territory through the contracting process*
- *C&P Sales will work cooperatively with CBU Account Managers*
  - *Joint Account Plans*
  - *Team Selling*
- *C&P will grow or disinvest based on revenue and profits*
- *Hire competent resources from inside and outside the Territory*

# Components and Peripherals Business Unit

*Proposed / End Point Sales Organization Model*

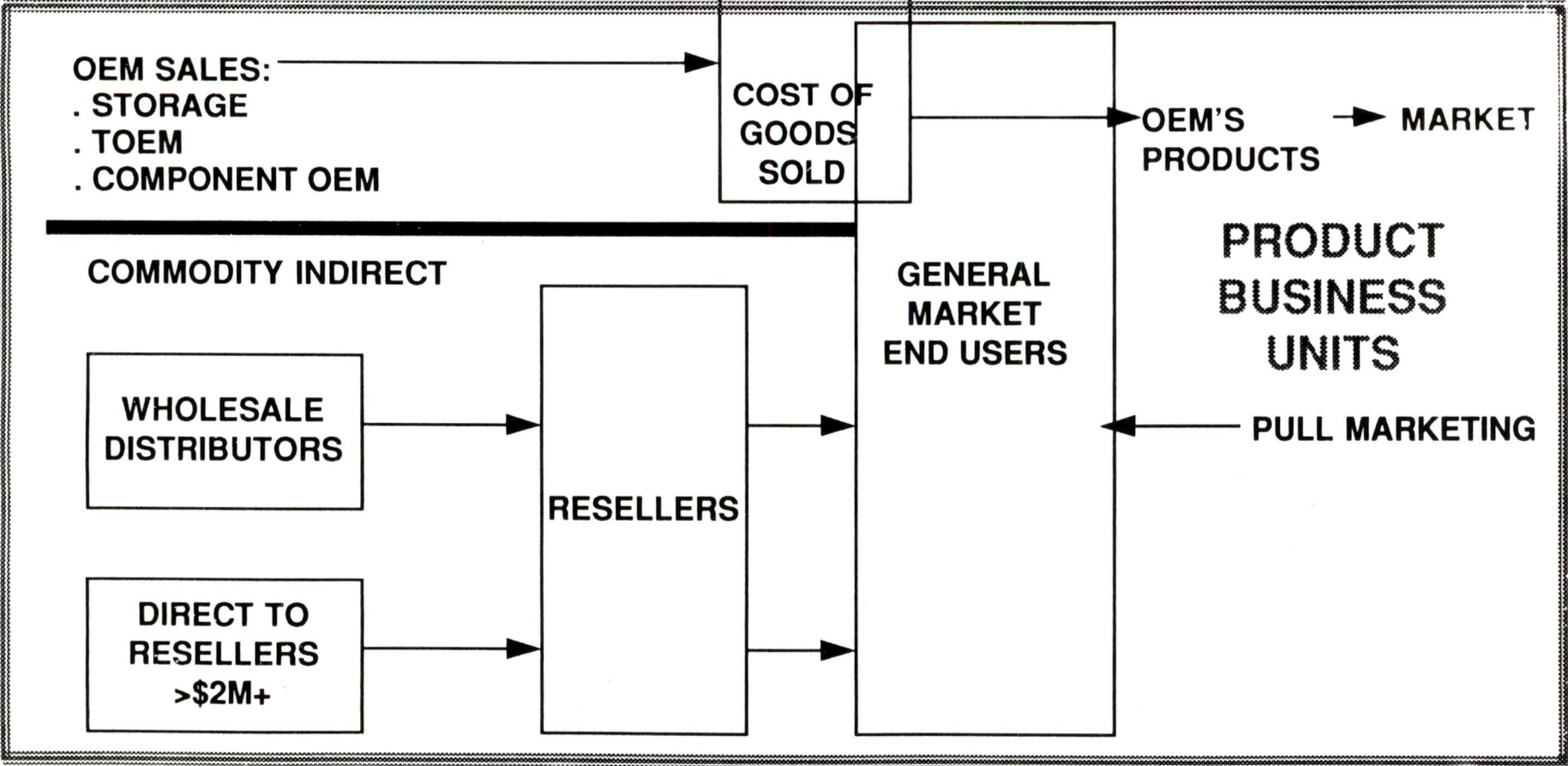
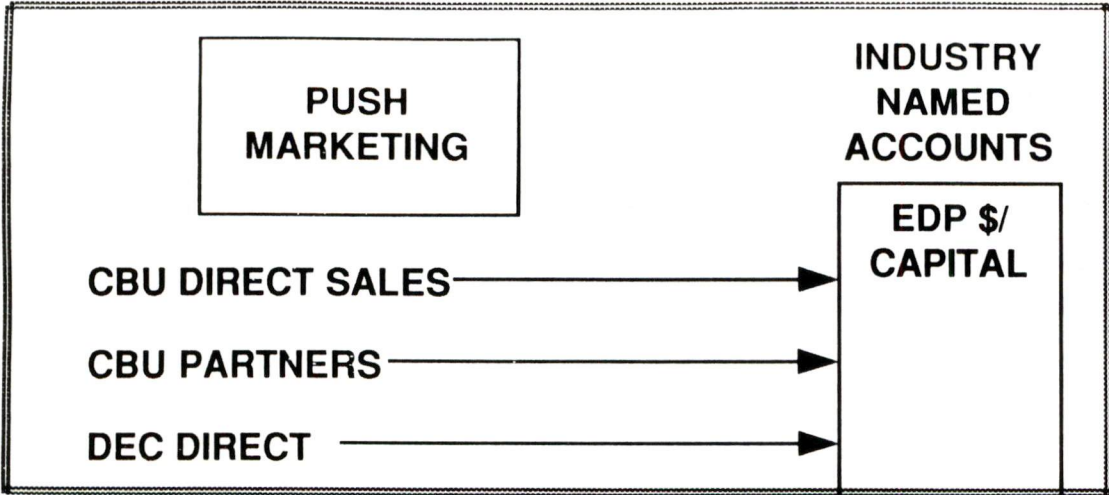
## **Current 6+Layer Sales Organization**



## **Proposed 3 Layer Sales Model**



# CUSTOMER BUSINESS UNITS



# **Components and Peripherals Business Unit**

## **New FY94 Product Opportunities**

### **CBU Industry Accounts**

- *New X Terminal matches competition*
- *New Text Terminal*
- *Competitive laser printers*
- *Leadership PrintServers*
- *Supplies*

### **TOEM Divisions/Accounts**

- *ALPHA Systems*
- *ALPHA Single Board Computers*
- *ALPHA Chips*
- *ALPHA Realtime Software*
- *Competitive UNIX*

### **Commodity Components**

- *Competitive X Terminals on non-DIGITAL systems*
- *Text Terminals for ACSII,ANSI and PC Term markets with superior quality and easily customized*
- *PrintServers for non-DIGITAL systems*
- *Competitive PostScript Printers for PC and low-end*
- *Leadership Network components (Interfaces,Hubs)*
- *NT and UNIX Servers*
- *Competitive Workstations*

# ***Components and Peripherals Business Unit***

## ***Worldwide Revenue Targets by Segment***

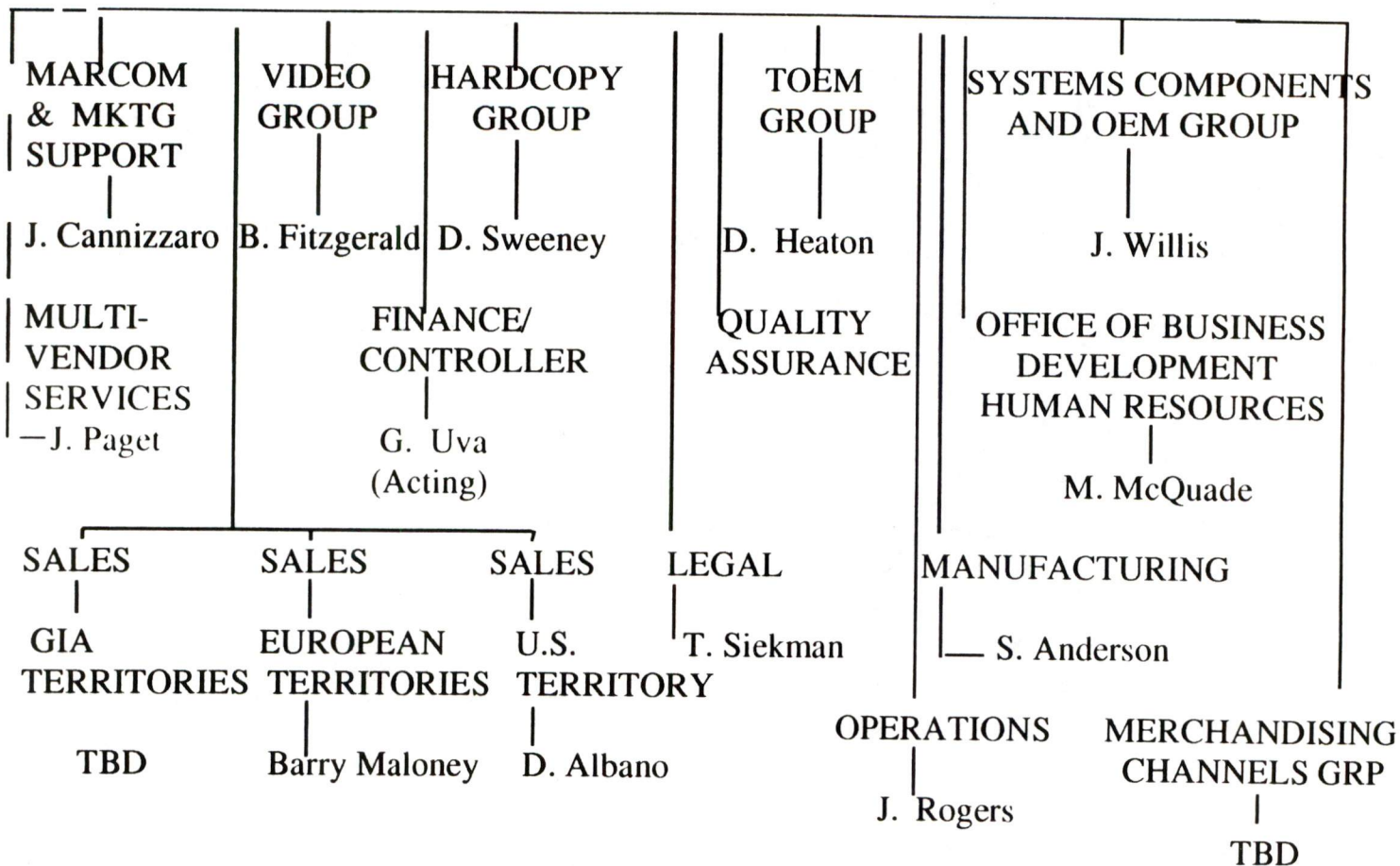
<b>\$ Millions</b>	<b>FY93 Forecast</b>	<b>FY94 Target</b>	<b>FY95 Target</b>
<b>OEM Components</b>	\$ 25	\$ 70	\$ 130
<b>Merchandising Channels</b>	410	460	560
<b>TOEM *</b>	385	455	565
<b>sub-total</b>	<b>\$ 820</b>	<b>\$ 985</b>	<b>\$1255</b>
<b>Growth</b>		20%	27%
<b>Video (CBU NOR)</b>	191	188	152
<b>Hardcopy (CBU NOR)</b>	280	298	344
<b>Grand Total</b>	<b>\$ 1291</b>	<b>\$1471</b>	<b>\$ 1751</b>

\*Forecasts and Targets subject to change based on revenue sharing with CBUs and final determination of accounts

# COMPONENTS AND PERIPHERALS BUSINESS UNIT

TECHNICAL DIRECTOR - TBD

- Vice President, L. Cabrinety
- Secretary, J. Snelling



CP\_STRUCTURE.



## **Storage Business Unit**

- **Statement of Strategic Intent (Mission)**

**To design, manufacture, and market high performance storage solutions for the Digital systems, Digital and non-Digital after market, and the OEM market.**

**In executing this mission, we will achieve storage industry benchmark profitability for the Company.**



# Storage Business Unit

- Market Opportunity:

	Heads		Disks		Tape/OP		Subsystems		Video/Image	Storage
	<u>On-base</u>	<u>Off-base</u>	<u>On-base</u>	<u>Off-base</u>	<u>On-base</u>	<u>Off-base</u>	<u>On-base</u>	<u>Off-base</u>	<u>Servers</u>	<u>Managment</u>
Total Market (CY95)	\$230M	\$2196M	\$1240M	\$16800M	\$590M	\$4164M	\$590M	\$8350M	TBD	TBD
Total Available										
Market - FY95	\$230M	\$1247M	\$1240M	\$13400M	\$590M	\$3658M	\$590M	\$3300M	TBD	TBD
Total Served										
Market - FY95	\$230M	\$979M	\$1240M	\$3266M	\$590M	\$1462M	\$590M	\$1500M	TBD	TBD
Digital Goal - FY95	\$230M	\$260M	\$1115M	\$670M	\$472M	\$345M	\$500M	\$200M	\$145	TBD
Market Share - FY95	100%	27%	90%	20%	80%	24%	85%	10%	30%	TBD
Market Share Goal		30%		30%		30%		30%		

- Competition:

<u>Heads</u>	<u>Disks</u>	<u>Tape/OP</u>	<u>Subsystems</u>	<u>Video/Image Servers</u>	<u>Storage Managment</u>
Read-Rite	Seagate	Exabyte	EMC	IBM	
AMC	IBM	Archive	IBM	AT&T	
Seagate	HP	STK	MTI		
Dastek	Micropolis				
	Quantum				

- Customer Needs:

1. Hierarchical Storage Management
2. Performance, Open System Storage Solutions
3. Small form factor, high capacity, modular storage solutions

NOTE: For the On-base Total Market, Total Available Market, Total Served Market, and the Digital Goal , the market dollars have been expressed in terms of NOR, not IBP.

# Storage Business Unit

- What is the payback/benefit to the company?
  - Significant Revenue Growth
    - Double business in two years
  - Market Penetration
    - 30% in selected markets
  - Operating Profit
    - 10%-12% (at or above benchmark)
  - Cash Flow Generation - TBD
  - Strategic Leverage
    - Storage devices leverage both total Digital BU and OEM solutions
    - Technology portfolio provides a sustainable strategic advantage

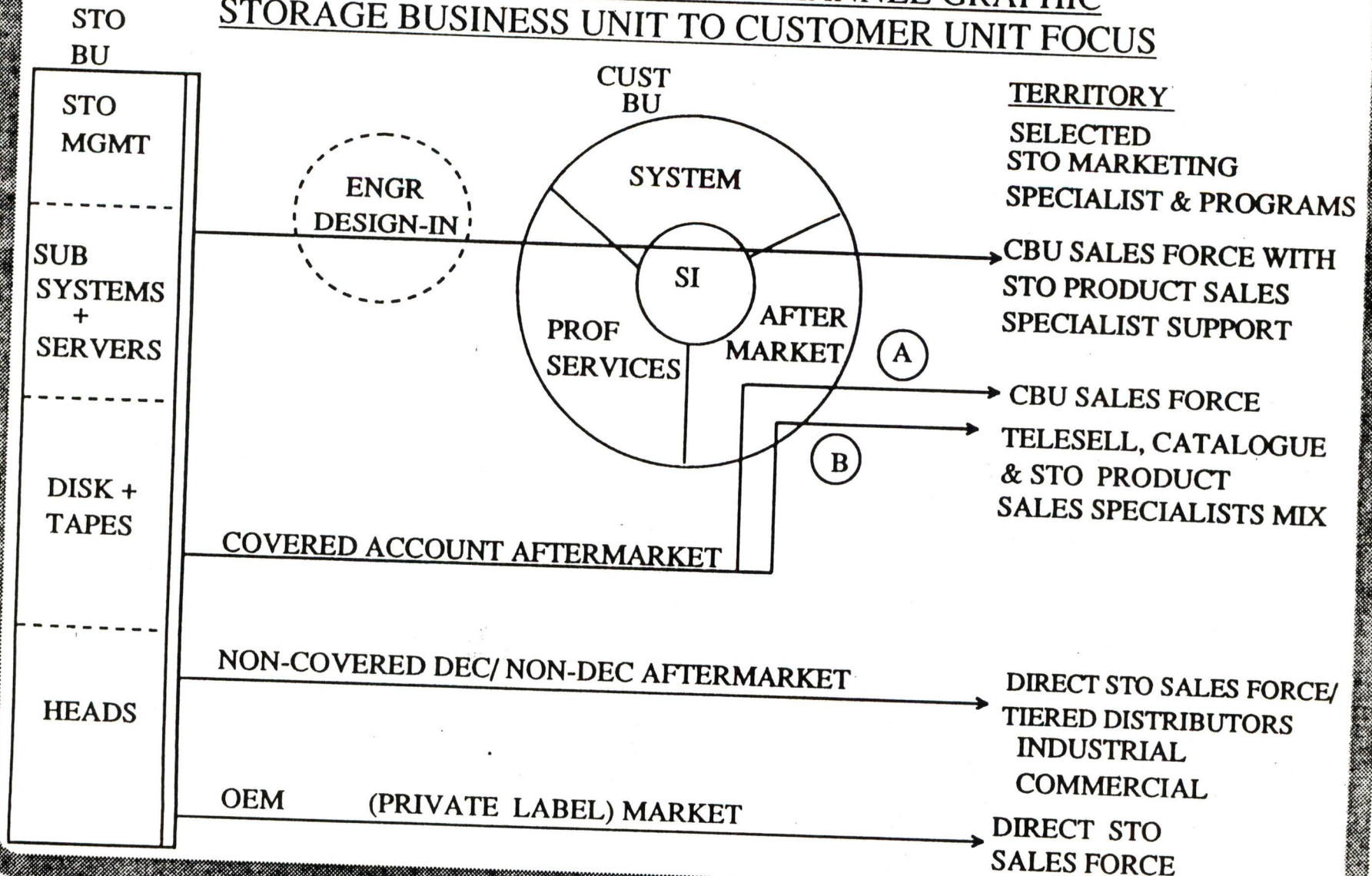
# Storage Business Unit

## • Preliminary Storage Models at New CBU Pricing Methodology (IBP & NOR)

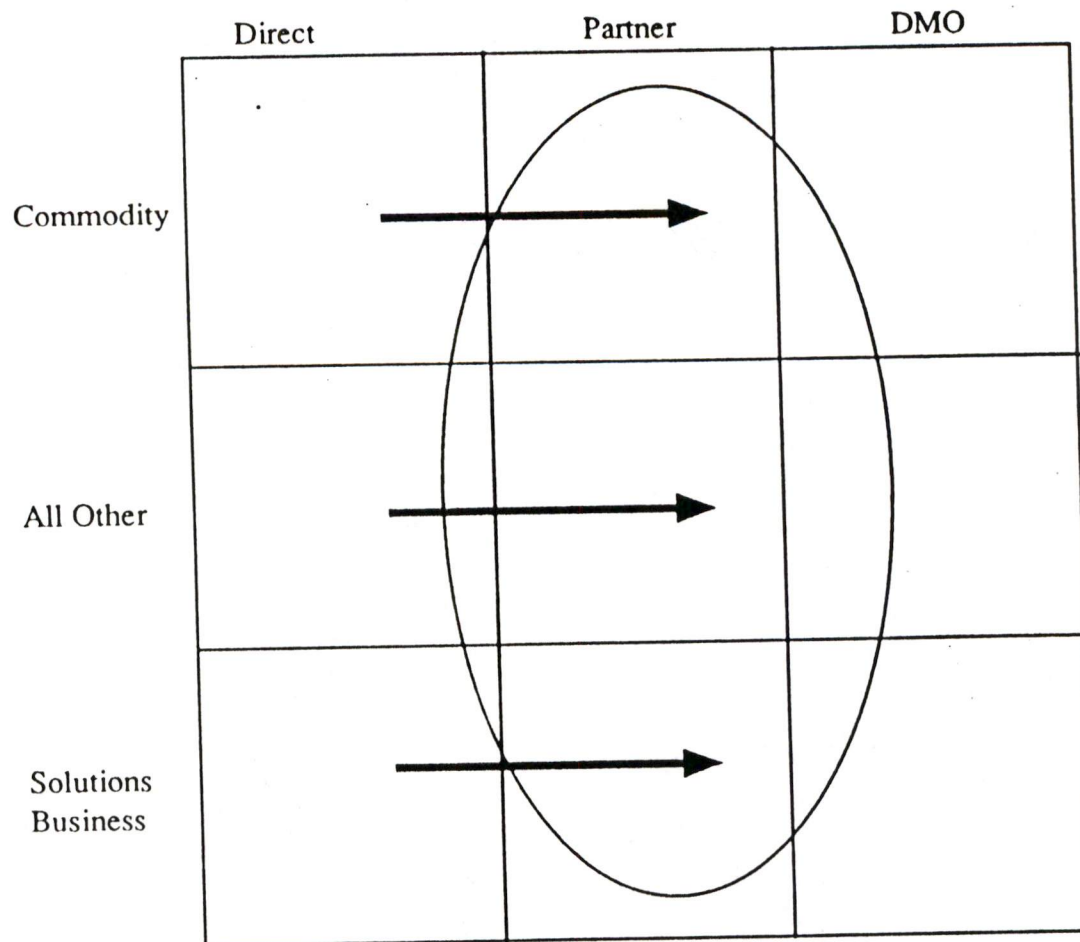
	<u>Disks</u>	<u>Tapes</u>	<u>Heads</u>	<u>Subsystems</u>	<u>Storage Composite</u>	<u>Digital Composite</u>
Revenue Mix (IBP/ NOR)	50/50	45/55	0/100	60/40	45/55	0/100
Revenue	100%	100%	100%	100%	100%	100%
C OGS	<u>78%</u>	<u>79%</u>	<u>78%</u>	<u>73%</u>	<u>78%</u>	<u>56%</u>
Gross Margin	<u>22%</u>	<u>21%</u>	<u>22%</u>	<u>27%</u>	<u>22%</u>	<u>44%</u>
R&D	6%	7%	6%	11%	7%	9%
SG&A	<u>6%</u>	<u>4%</u>	<u>4%</u>	<u>4%</u>	<u>5%</u>	<u>23%</u>
Operating Profit	<u>10%</u>	<u>10%</u>	<u>12%</u>	<u>12%</u>	<u>10%</u>	12%
DSO	55/ 45	55/ 45	40	60/ 45	49	73
ROOA	20%	30%	18%	12%	22%	16%
ROA	16%	20%	18%	10%	17%	13%

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
• Restated Revenue Range (@IBP + NOR)	\$1.0B	\$1.5 B-1.8B	\$2.2-\$3.0B

**STORAGE BUSINESS UNIT**  
SALES, SALES SUPPORT AND CHANNEL GRAPHIC  
STORAGE BUSINESS UNIT TO CUSTOMER UNIT FOCUS

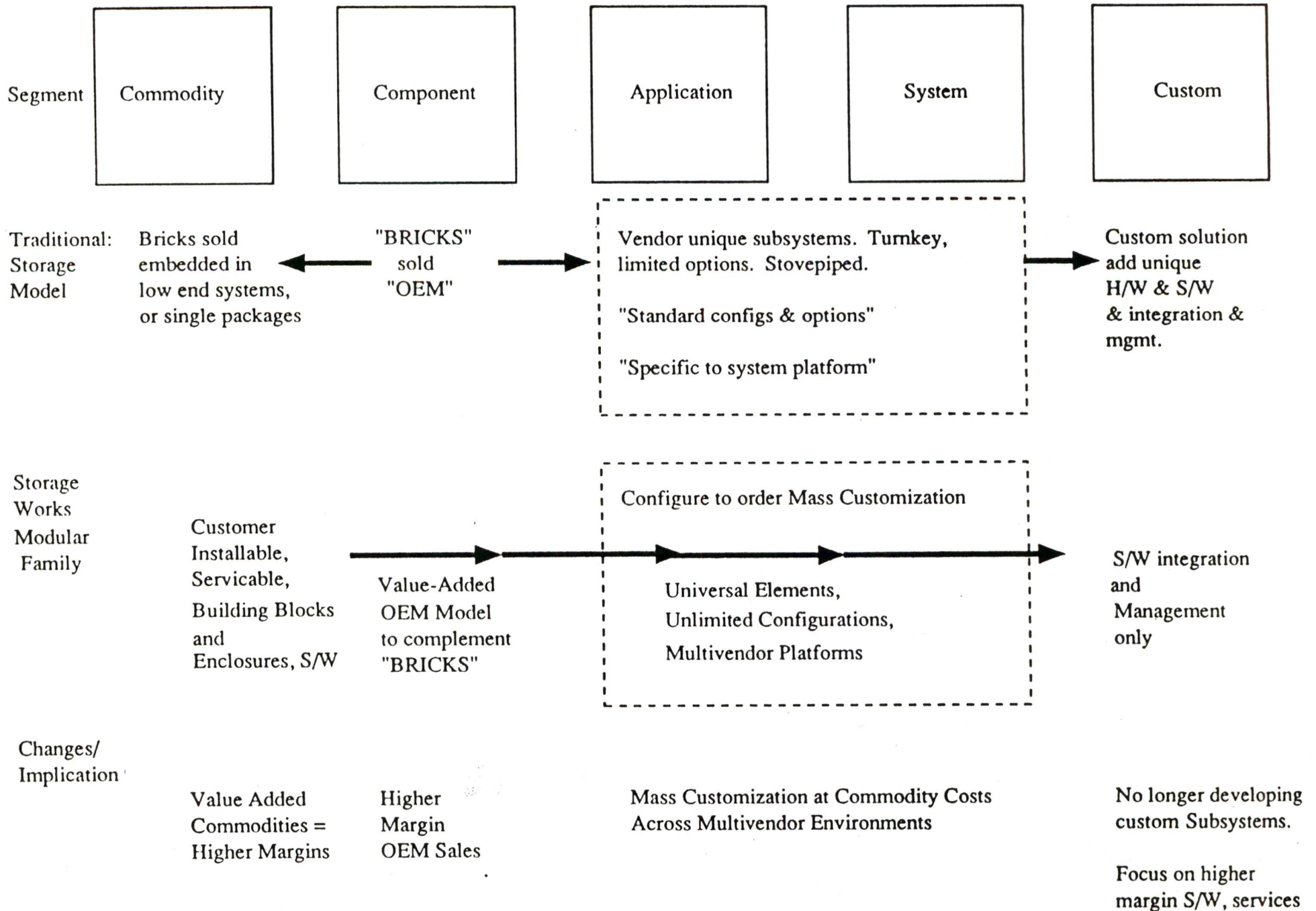


## Modular Subsystems Implications

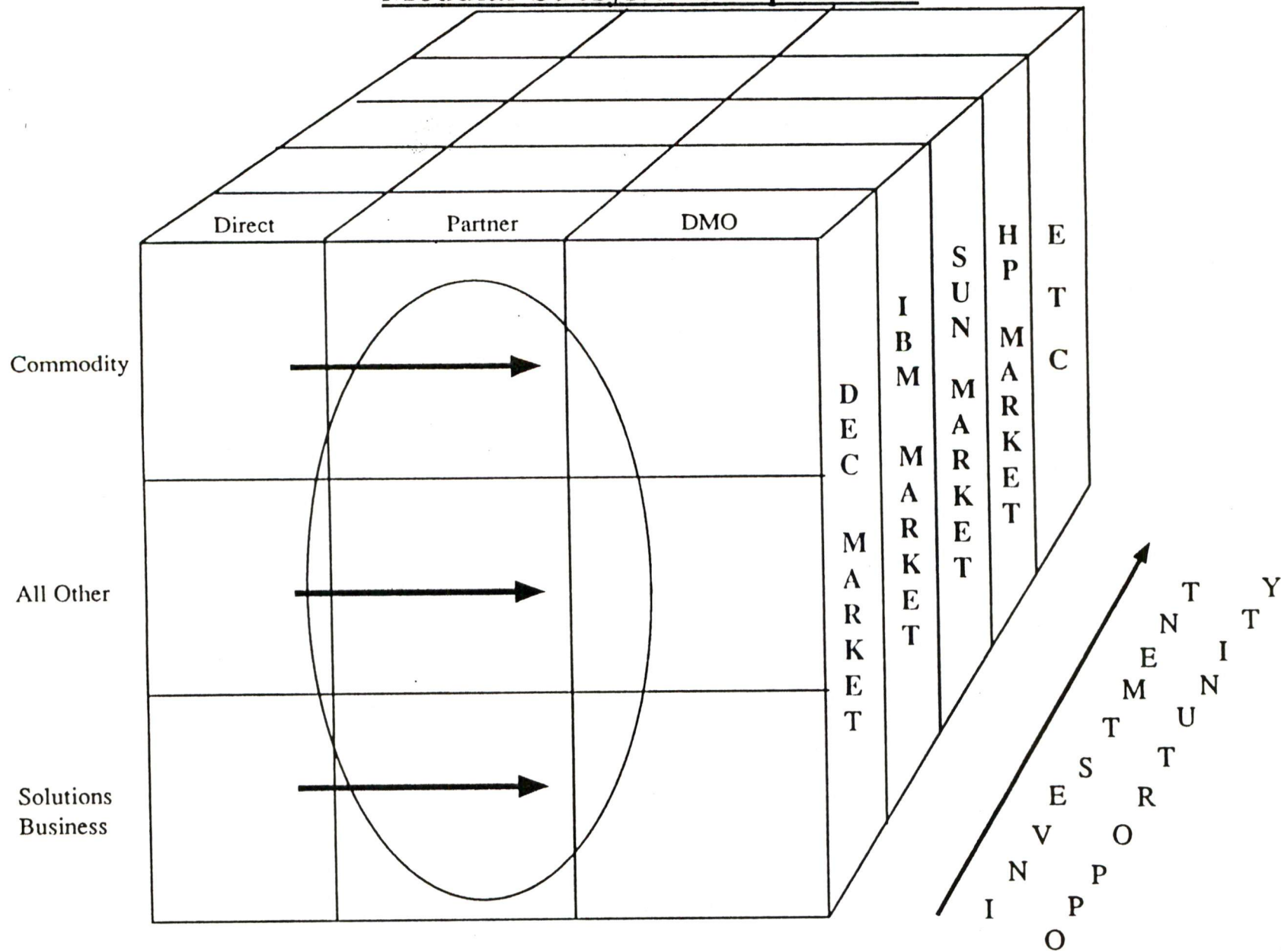


Modular Subsystem Strategy creates full custom solutions that can be sold by DMO/Partners supported by a commodity cost structure.

# Understanding Buyer Segments: Modular Subsystems



# Modular Subsystems Implications



The Modular Subsystem Strategy creates common solutions for Multivendor Markets.

Jim K

**Mass Storage Business Unit**

**FY94/95**

**Business Planning**

**Advice Package**



# Mass Storage Business Unit FY94/95 Business Planning Advice Package

I. Executive Summary

II. Statement of Strategic Intent

III. Industry Trends/Target Markets

IV. Mass Storage Business:

- Tapes and Disks
- Subsystems
- Heads
- Video/Image Servers

V. Enabling Technologies

VI. Mass Storage Engagement Process

## I. Executive Summary

The Mass Storage Business Unit model leverages leadership performance and technology at the component and device level into a wide range of solutions across several markets.

### Mass Storage Strategic Hierarchical Business Model

Figure 1

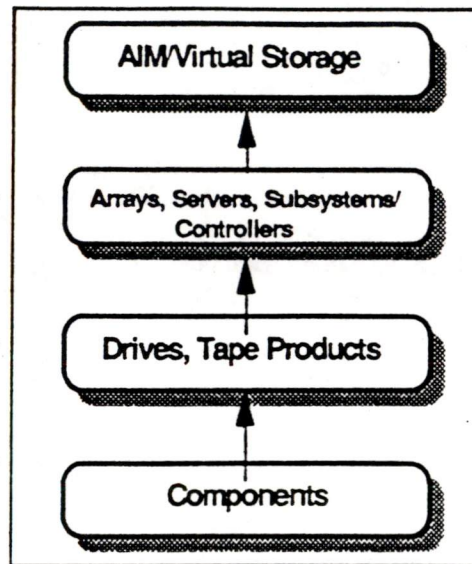
#### Market Characteristics

Solution oriented high value added

RAID, more value added

Commodity market

Market opportunity based on leadership and performance/technology



#### Product Characteristics

Primary Software

More software intensive hardware packaged

Primarily hardware with some firmware

Technology driven hardware

Mass Storage is a vertically integrated business; forecasted to contribute in excess of \$1.7B of NOR equivalent revenue for FY93 of which the add-on and OEM business (over \$200M) are a significant and growing portion of the business. Over the last 18 months the business has been re-engineered, moving from a high value, high cost and low volume model to product familiness, open architecture (emphasizing enabling technologies) and high volume. During this period, significant resource downsizing has been accomplished.

## II. Statement of Strategic Intent

**"To design, manufacturing and market high performance Storage solutions for Digital Systems, Digital and non-Digital after-market, and the OEM market at benchmark profitability for the Company."**

This will be accomplished by a combination of buying entry lead products, designing and manufacturing high capacity /high performance/high availability hardware products and value added software products, and becoming a significant (and profitable) force in the OEM business in order to leverage and ensure leadership products.

### III. Industry Trends/Target Markets

#### Systems Market

The target market for Storage is the worldwide Microsystems, Midrange and the Large systems which can be served with large clusters. The worldwide systems and Storage market at end user prices in 1995 is estimated to be as follows:

	<u>System ISS + Add-on</u>	<u>Storage Content</u>
Microsystems (\$0-25K)	\$184.1B	\$45.6B
Midrange Systems (\$25K-700K)	66.4B	15.3B
Large Systems (\$700K+)	<u>69.0B</u>	<u>22.3B</u>
<b>Total</b>	<b>\$391.5B</b>	<b>\$83.2B</b>

Storage makes up a significant portion of the system revenue (\$83.2B). The Storage requirements for single user PCs and workstations are focused on entry level pricing, competitive capacity and performance at high reliability. The requirements for multi-user systems and servers require additional functionality in terms of "fault tolerance", low price/MB, high performance, storage management and on line fault detection/repair capability. Adherence to industry standards is absolutely mandatory because of increasing commoditization of the computer business and the real customer need for storage to work with multivendor platforms. There is going to be significant pricing pressure because microsystems and peripherals have become commodities.

#### Key Industry Trends

- a. Multivendor systems solutions is a key requirement and this implies adherence to industry standards and to provide storage solutions which attach via industry standard interconnects to multiple systems platforms using both proprietary and industry standard operating systems.
- b. Storage magnetics technology is expected to decrease manufacturing cost/MB and thereby price/MB. This implies that market share has to increase in order to increase revenues. Tape technology and Optical technology is also making significant progress.
- c. Management of distributed enterprise data on multivendor systems is a key issue.
- d. System managed storage with high performance, high availability, good backup, archiving and disaster protection will be mandatory. RAID/Shadowing/caching usage will increase. Dedicated storage servers will provide storage functions for many applications.
- e. The dominant form factor for disks will be 3.5" for the desktop, pedestal and cabinet systems. 2.5" will be used primarily for notebooks. 5.25" will still be used for "bulk store" at the upper end of midrange but volumes will continue to decrease.
- f. QIC and 4mm tape drives will dominate in units. 8mm and 1/2" technology will be used for high performance/high capacity needs in conjunction with auto loaders.
- g. Removable Optical drives/Juke boxes and Tape libraries/silos will be used for near-line and archival applications.

## Worldwide Storage Market

The worldwide Mass Storage Market valued at OEM prices (Not End User prices) is as follows:

	<u>CY92</u>	<u>CY95</u>	<u>CAGR</u>
Disks	\$13.0B	\$16.8B	9.0%
Tapes	\$2.3B	\$2.9B	8.0%
Optical	\$0.9B	\$1.4B	15.9%
Libraries Tape	\$0.8B	\$1.2B	14.5%
Libraries Optical	\$0.2B	\$0.3B	14.5%
Controllers/Pkg.	\$1.9B	\$2.5B	9.5%
<b>Total</b>	<b>\$19.1B</b>	<b>\$25.1B</b>	<b>9.5%</b>

## Disk Market

The disk market at OEM prices can be further broken down as follows:

<u>Disks</u>	<u>CY92</u>	<u>CY95</u>
1.8"	\$ -	\$0.9B
2.5"	\$10.B	\$4.4B
3.5"	\$9.5B	\$10.5B
5.25"	\$2.1B	\$1.0B
8" +	\$0.4B	\$ -
<b>Total</b>	<b>\$13.0B</b>	<b>\$16.8B</b>

## Tape Market

The Tape market at OEM prices can be broken down as follows:

<u>Tapes</u>	<u>CY92</u>	<u>CY95</u>
Cassette	\$0.04B	\$0.04B
1/4"	\$0.54B	\$0.8B
4mm	\$0.22B	\$0.48B
8mm	\$0.25B	\$0.29B
1/2"	\$1.3B	\$1.25B
<b>Total</b>	<b>\$2.35B</b>	<b>\$2.86</b>

## Optical Market

The Optical market at OEM prices can be broken down as follows:

<u>Optical</u>	<u>CY92</u>	<u>CY95</u>
CDROM	\$0.27B	\$0.32B
Write Once	\$0.21B	\$0.32B
Read/Write	\$0.42B	\$0.8B
<b>Total</b>	<b>\$0.9B</b>	<b>\$1.44B</b>

Worldwide Storage Market Cont'd.

The key areas of focus are the high capacity/high performance segments of the disk, tape and optical markets since these segments are growing significantly faster. The disk targets are 2.5" (200MB+), 3.5" (500MB+) and 5.25" (2GB+). The 2.5" products are targeted towards the high end of the notebook market. The 3.5" products are targeted toward high end PCs/WS and multi-user systems and servers. The 5.25" products are targeted towards midrange/large systems which sell for \$200K+. The tape target is high performance/high capacity 1/2" cartridge tape. The Optical product is a removable/high capacity/high performance 3.5" product.

**Subsystems Market**

The worldwide subsystems market on Microsystems and Midrange systems is the multi-user and server segments as opposed to the single user systems. The market size at end user prices is shown below. The third party potential is estimated to be 15%. In the Microsystems segment the top storage potential is on IBM (PS2, RS6000 and AS400), DEC, Compaq, Olivetti, Tandy and HP. In the Midrange systems market the top storage potential is on IBM (AS4000, RS6000, ES9000), DEC, HP, Siemens, NCR, SUN. The market size at END USER prices is as follows:

	Systems Vendor	Third Party
Microsystems	\$3210M	\$570M
Midrange Systems	\$11000M	\$1900M

The Subsystems strategy is not only to develop products for the Digital systems market but also to ensure adherence to industry standard interconnects such that with a minimal of engineering can also be supported on non Digital platforms. Currently this approach has been successful and we are selling storage to EMC, IPL, and Cambex to attach to IBM systems. We are currently in the process of marketing subsystems products to attach to Novell LANs and SUN systems.

Although we are moving rapidly to industry standard interconnects it is necessary to support the needs of Digital's systems installed base. Consequently CI/HSC clusters and DSSI clusters storage needs must be supported via new products which use CI and DSSI as host interconnect and SCSI as the component interconnect. Newer systems will use SCSI or FDDI for the host storage interconnect. The device interconnects will be SCSI and native DSSI. No new native SDI or STI devices are planned.

**Market Opportunity**

	Heads <u>On Base</u>	Heads <u>Off Base</u>	Disks <u>On Base</u>	Disks <u>Off Base</u>	Video/Image <u>Servers</u>
<b>FY95</b>					
Total Market	\$230M	\$2196M	\$1240M	\$16800M	\$ TBD
Avail Market	\$230M	\$1247M	\$1240M	\$13400M	
Served Market	\$230M	\$979M	\$1240	\$3266M	
Digital Goal	\$230M	\$260M	\$115M	\$670M	\$145M
Market Share - FY95	100%	27%	90%	20%	30%
Market Share Goal	100%	30%		30%	
<b>FY95</b>	<u>Tape/Op On Base</u>	<u>Tape/Op Off Base</u>	<u>Subsys On Base</u>	<u>Subsys Off Base</u>	<u>Storage Management</u>
Total Market	\$590M	\$4164M	\$590M	\$8350M	\$ TBD
Avail Market	\$590M	\$3658M	\$590M	\$3300M	
Served Market	\$590M	\$1462M	\$590M	\$1500M	
Digital Goal	\$472M	\$345M	\$500M	\$200M	\$ TBD
Market Share - FY95	80%	24%	85%	10%	
Market Share Goal		30%		30%	

## Competition

Heads	Read-Rite	AMC	Seagate	Dastek	
Disks	Seagate	IBM	HP	Micropolis	Quantum
Tape/Optical	Exabyte	Archive	STK		
Subsystems	EMC	MTI	IBM		
Video/Image	IBM	ATT			
Storage Mgmt.					

## IV. Mass Storage Business:

### Tapes and Disks

The Tape and Disk Business supplies Winchester and Floppy Disks, Tapes, Tape loaders, Media, Solid State Disks, and Optical Storage products. Customers include Digital systems, Customer Business Units (CBUs), and Digital end users. OEM's, as well as specific VAR's and distributors, are being served through a rapidly growing Storage OEM sales channel.

The Tape and Disk Business designs, manufactures, and markets competitive Storage products, either through internally made or externally procured product, for all Digital systems requirements. Storage products support PC's (SCSI architecture), Workstations (SCSI architecture), Subsystems (SDI, DSSI, and SCI architectures), Entry Systems Business (DSSI and SCSI architectures), Data Center Systems and Servers (SDI, DSSI and SCSI architectures, and Servers (SCSI architecture).

Targeted customer segments for the OEM Sales channel base include major computer manufacturers, major system vendors, LAN users, and non-computer volume consumers of storage (i.e., telecommunications).

The product portfolio includes 5.25" disk drives with capacities ranging from 656MBf (RZ56) to 3.5GBf (R\_74/DSP 5350); 3.5" disk drives with capacities ranging from 122MBf (RE/RZ23L) to 3.2 GBf (R\_29/DSP 3320); solid state disk drives using drive with 8" form factor disk drives (ESE50) and 5.25" form factor drives (EF5X) with capacities ranging from 120MB to 1GB; tape loaders and jukeboxes (TX857, SA100, TX867) with capacities ranging from 18GB to 42GB; back-up tape drives (TF/TZ85, TX86) with capacities ranging from 2.5GB to 6.0 GB per cartridge; and software distribution devices (RRD42 CDROM).

Required functionality includes: capacity, performance, competitive price, reliability. Competencies needed include: Magneto Optic technology, error correction coding, servo-mechanics, and competitive business practices. Time to market is the critical success factor.

The major opportunities for growth lie in continuing the expansion of the OEM sales channel, as well as expanding our penetration into the Digital installed base. We will continue to meet the needs of our Digital Systems customers. Customer retention and continued growth are both dependent upon the business's ability to produce and procure leading edge, price competitive, quality product, in volume for the wide range of Storage requirements of our customers.

We will focus our efforts to sell to the following Sub-segments and major accounts: Digital systems customers, CBUs, OEM channel, large volume consumers, computer manufacturers, sub-systems houses, and telecommunications, industrial distributors, and commercial distributors.

The FY95 Disk revenue goal of \$1340M (\$670M Digital at IBP; \$670M NOR off-base) reflects a 20% off-base market share and a growth from \$147M in FY93. The FY95 Tape and Optical products revenue goal of \$630M (\$285M Digital at IBP; \$345 at NOR off-base) reflects a 24% off-base market share goal and a growth from \$17M in FY93.

The Disk and Tape Competitive Models appear below:

	<u>Seagate</u>	<u>Disk Competitive Model</u>	<u>Exabyte</u>	<u>Tapes Competitive Model</u>
Revenue	100%	100%	100%	100%
COGS	77%	78%	60%	79%
Gross Margin	23%	22%	40%	21%
R&D	5%	6%	7%	7%
SG&A	8%	6%	10%	4%
Op Income	11%	10%	23%	10%
DSO (on-base/off-base)	49	55/45	60	55/45
Inventory Turns	6	9	5	9
PP&E Turns	7	13	18	13
ROOA	22%	20%	46%	30%
ROA	13%	16%	26%	20%

The business will seek low cost sales channels in expanding off-base business. Marketing programs to retain the Digital base and expand off-base are being developed.

Storage training is highly recommended for all Digital Sales representatives selling through Digital end-user channels to be able to effectively identify and communicate the Storage technologies which provide the optimal customer solution. The OEM sales channel does not intend to utilize the territories to sell products to the defined OEM customers. Storage training courses currently available include: Advanced Storage Training (ADT), Storage Days, Storage Fellowship program, Storage specialist training, and the Information Management Symposium (IMSYM).

The business currently extends a three or five year (product specific), return to factory warranty to the Digital MVS organization for all disk products. Various other warranty provisions apply for tapes, media, and Solid State disks. The organization is prepared to offer and implement leadership warranty terms to the Digital end user base as internal customer requirements dictate. In the OEM channel, competitive warranty terms for disk drives are five years, return to factory. Ramp capability, volume delivery, flexibility, and customer technical support are key elements of expected industry customer service levels.

Dependencies on other Business Units/Functions

- Operating systems groups (VMS, OSF, NT)
- Storage management software (ESM)
- Supply chain (cost competitive components and logistics, predictability, and competitive SLA's)

## Subsystems

The Storage Subsystems Business integrates and markets complete multi-device subsystems. It designs, manufactures and acquires the elements for attaching, communicating, managing and optimizing the storage and access of information, including storage adapters, controllers, interconnects, packaging, diagnostics, servers, utilities, layered software and embedded software (firmware). Storage Subsystems is the high value-added, high margin component of Digital's Mass Storage Business, combining and adding features, functions and services to arrays of disks, tapes, optical and solid-state storage devices to fit systems solutions and applications. The primary focus is ready-to-use subsystems to end-users both on the Digital base and off-base. The purpose of pursuing ready-to-integrate 'OEM' channels is to increase and solidify market acceptance and penetration on-base and to accelerate market penetration off-base.

The user needs we are filling are primarily:

- Capacity and performance add-on to installed Digital systems
- "Downsizing" from 'mainframe' to networked desktop
- Migration from proprietary interconnects to open interconnects

Products in the Subsystem portfolio include:

Ready to use subsystems, ready to integrate subsystems composed of these components, as well as the components themselves:

- Array controllers, adapters and interconnects
- Power and Packaging
- Storage devices
- Value added firmware and software
- Modular Subsystem Solutions

The FY92 subsystem market penetration is roughly 85% for the Digital on-base segment. We intend to maintain the on-base penetration and at the same time to grow the off-base penetration to an overall 10% share by FY95 by targeting IBM, SUN, and Intel high end installed base (Figure 2).

Figure 2

FY95 Market Penetration of Selected Competitors Installed Base

<u>Platform</u>	<u>Market Penetration</u>
IBM RS/6000	15%
IBM AS400	4%
SUN servers	33%
INTEL high end	40%

The storage subsystem business will increase market share by:

- 1) maximizing the storage content of Digital initial systems sales,
- 2) growing the share of the Digital after market business, and
- 3) aggressively developing the off base subsystem business.

Customer retention and continued growth are both dependent upon the business's ability to produce and procure leading edge, price competitive, quality product, in volume for the wide range of Storage requirements of our customers. The following factors will be critical to the success of business in FY94 and beyond:

- Achieve competitive product costs to permit pricing products at commodity price levels while using superior product capabilities (RAID, Cache, modularity, total solution, etc.) to differentiate our products.



- Design interfaces to maximize the elements/investments common across all markets/environments.
  - power and packaging
  - array controllers
  - value added software
- Using minimum number of functional blocks to adapt common solutions to multiple environment and markets:
  - Host ports in array controllers
  - Adapters/drivers to support arrays or target interconnects
  - Host O/S based software/utilities
- Establish on-base design-ins for systems w/ ASVs > \$20K.
- Market leadership capabilities and migration strategies for on-base add-on storage in all price ranges.
- Off the base, establish specific target markets and share goals with appropriate product, support and channel invest.
- Move aggressively to develop integrated solutions, value added software/firmware, and systems engineering.
- Move aggressively a to establish partnership and vendors to leverage non-Digital resources into product delivery.

The defining leadership characteristics for subsystems are:

- Access to high quality, industry leadership devices
- Value added firmware and software
- Data availability and reliability
- Cost competitiveness
- Openness of architectures and solutions
- Breadth and flexibility of product offering
- Performance
- Investment protection
- Competitive price
- Time to market
- Ease of doing business from customer perspective

Other factors include:

- Simplicity of product, ease of use
- Design for manufacturability (able to ramp and meet volume requirements at highest quality levels)
- Superior marketing effectiveness
  - Identifying /developing opportunities
  - Communicating "right" message
  - Successful demand creation
  - Field and channel readiness

The Subsystems business competitive model appears in Figure 3.

Figure 3

**Subsystems Competitive Model (% of Revenue)**

Revenue	100%
COGS	73%
Gross Margin	27%
R&D	11%
SG&A	4%
Operating Profit	12%
DSO (on-base/off-base)	60/45%
ROOA	12%
ROA	10%

Subsystems continues to enhance and support its traditional HSC/SDI and DSSI products in support of the installed Digital base. New higher performance, lower price HSC65/95/cache products were introduced in Fall 1992; HSC/SCSI capability is scheduled for March 1993.

The implementation of the modular subsystem architecture with open interconnects began in FY92, with product roll out beginning in FY93 and continuing into FY94 and beyond. Modular (so-called "STORM") enclosures, cabs and device carriers were introduced in the Fall of 1992, along with the first RAID array controllers. Subsystems BU entered the OEM market at COMDEX in November 1992 with the offering of desk side and data center subsystems based on these components. The OEM penetration continues in Q3 FY93 with the addition of desktop (so-called "Pizza box") modular subsystems, a higher performance RAID array controller, and additional device support. Opening of distributor channels will occur beginning in Q4 FY93.

Additional array controllers for CI, DSSI, FDDI and FWD-SCSI, in a range of performance, connectivity and value-added features, begin rolling out in Q4 FY93.

The business currently extends the competitive (Product specific), return to factory warranty to the Digital MCS organization. The organization is prepared to offer and implement leadership warranty terms to the Digital end user base as internal customer requirements dictate.

In order to aide effective selling of Subsystem products, the following Storage training courses are currently available:

Storage training courses currently available include:

- Basic Storage Training
- Advanced Storage Training (AST)
- Technical Product Update Training (TUT)
- Information Management Symposium (IMSYM)

Key internal to Digital dependencies including:

- Working with Central Engineering to establish integrated systems with Storage on behalf of the CBU's
- Operating systems groups (VMS, OSF, NT) coordination

## Shrewsbury Heads Business

The core product set for the Shrewsbury Heads Business and its venture with Rocky Mountain Magnetics is Thin Film Inductive and MR Read/Write devices used in hard disk drive products.

The business also provides the following services to our "on-base" customers:

- Center of Expertise management for Heads and Actuators
  - Worldwide commodity strategy, plans and analysis
  - Integration of technology requirements
  - Commodity - based industry and cost analysis
  - Interact/linkage with corporate center of expertise
- Manage buyout services for both Thin Film Head Products and Tape Head Application Products

The Shrewsbury Heads Business Competitive Model appears in Figure 4.

Figure 4

### Shrewsbury Heads Business Competitive Model

	<u>Read-Rite</u>	<u>Competitive Model</u>
COGS	76%	78%
Gross Margin	24%	22%
R&D	3%	4%
SG&A	6%	4%
OP Income	14%	12%
Net Income	12%	8%
A/R DSO	48	40
Inventory Turns	8.8	12.0
PP&E Turns	3.8	4.0
OP Asset Turns	2.1	2.3
ROA	15%	18%
ROOA	26%	20%
ROE	27%	26%

The Shrewsbury Heads business is a technology driven capital intensive process manufacturing business. Core competencies required to increase market share lies in our diamond thin film technologies and magneto-restrictive head technologies. The technology and manufacturing process investment will allow us to stay competitive in the areal density (TPIXBPI) race and increase performance at the device level.

## Video/Image Servers

The Video/Image Server responds to customer demands for servers capable of storing large quantities of compressed video or image information and delivering data streams simultaneously to multiple users under user interactive control. Digital's core competencies in storage, networking, service and system integration work together to allow Digital to be as a major player.

The video-on-demand and related video/image applications market (in-store music and video manufacturing, retail banking systems, library systems, training/education systems, telemedicine) is an emerging and large opportunity for Digital. The Telecommunications opportunity (including systems, support and services) in the U.S. by CY95 could be in excess of \$1B.

Digital's market share goal is 30%; much of the market will be dominated by the small number of large systems providers with the needed competencies and stability (Digital, IBM, Hewlett Packard and AT&T.).

The initial market for these servers is the regional telephone operating companies, cable television, broadcast and content product companies and telemedicine services in the U.S. Canada, Germany, France, United Kingdom, Australia and other countries. The initial applications will be delivery of home movies, business access to information libraries, advertising insertion, video editing (post production) and medical imaging storage and retrieval.

The Video Server systems consists of a number of subsystems, each of which may require some customization for each application. Subsystem hardware is based on existing Digital products. The business adds value through system integration and extensive application software.

## VI. Enabling Technologies

### Emerging Storage Technologies

Storage is investing in a key emerging technology necessary to continue offering leading edge Storage Products..

#### Heads

Heads are the magnetic transducers that fly close to a magnetic disk surface and first write (magnetize) the surface with data and later read back the data. They are a key determining component in the reliability, density, and cost per megabyte in our leading edge disks. Without leading edge proprietary heads, we would buy industry heads and lose an edge over our Storage competition. For example, Seagate uses 10 disks and 20 heads to achieve 2 Gigabytes in a 3.5" drive, while we use only 8 heads for the same capacity due to high density heads and media.

#### VLSI

Silicon is the link to getting advanced architectural features into our disk drives in a low power, reliable, and cost effective manner. Industry standard silicon is aimed at the highest volume, conservative performance, and lower density disk drive offerings and our internally designed silicon is a differentiator, supporting higher reliability, higher density and performance, and higher transfer rate disk drives than our competitors can supply at equal of lower costs. For example our current silicon has fewer chips, more powerful ECC, more bandwidth, and embedded servo process control at equal cost to the external competition. Silicon is a Digital core competency area in both the processor and Storage worlds.

## Codes

Coding theory is an area of mathematics being directly and aggressively applied to Storage products in several ways:

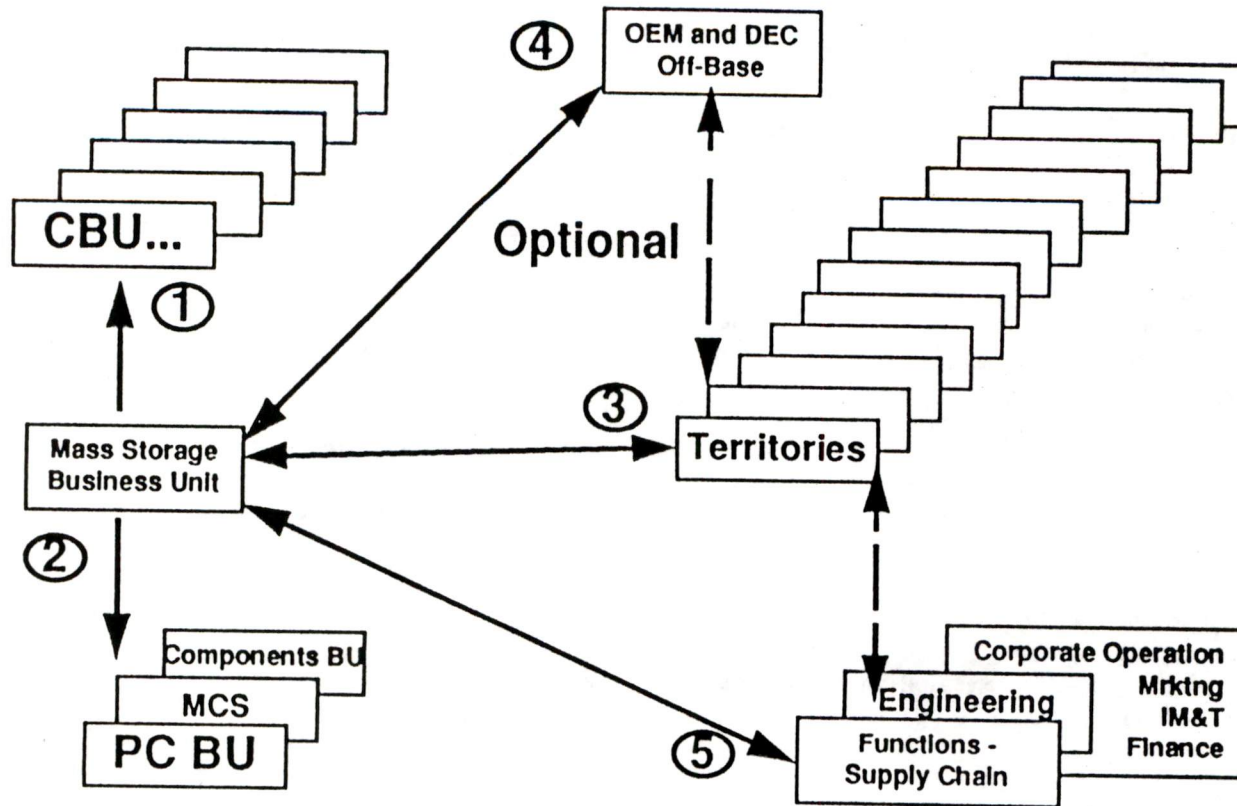
(1) Error Correction Codes allow large numbers of errors to be read from a disk and corrected in electronics so that the errors are never delivered to the computer user/system. For example our current codes are dialable in power and will handle a raw Single bit error rate of  $1 \times 10^{-4}$ .

(2) Read/write codes are employed in the process of reading and writing computer bits on a magnetic material and allow more bits to be recorded in and read from a unit of area than with the code. Codes make cheaper electronics slightly more complicated, but make recording densities much greater than without these codes. Without advance codes our product densities and costs/megabyte would not be competitive in the industry.

## Channels

This is a technical area which applies classical communication theory to the magnetic read write process and looks at all the components in the process as a communication channel. Advanced channel implementations are already proving to provide much higher densities for a given head and disk combination than conventional channels provide. Without work in this area of emerging technology, Digital Storage will not be able to offer leading edge Storage products in density, cost, and reliability. Future channel development will support densities of greater than 400 Mbytes/square inch.

# Mass Storage Business Unit FY94/95 Business Planning Advice Package Engagement/Partnership Process The Map...



**Mass Storage Business Unit - FY94/95 Business Planning Advice Package**  
**Engagement/Partnership Process**

**The Partnership...**

Storage Contracting Activities	Storage BU Needs	Contracting Entity Needs	Partnership Agreement
1. CBU's	<ul style="list-style-type: none"> <li>Product requirements (functionality and price performance)</li> </ul>	<ul style="list-style-type: none"> <li>Competitive on-time solution</li> <li>Predictability</li> <li>Sales/Marketing pre and post sales support</li> </ul>	<ul style="list-style-type: none"> <li>Inter-Business Price (IBP) and terms</li> <li>Volumes based on embedded, add-in, add-on Storage Solutions</li> <li>Product ramps and predictability</li> <li>Marketing and pre/post sales support</li> </ul>
2. PBU's: A. PC BU	<ul style="list-style-type: none"> <li>Product requirements (functionality and price/performance)</li> </ul>	<ul style="list-style-type: none"> <li>Predictability</li> <li>Competitive offering</li> <li>Competitive acquisition costs</li> </ul>	<ul style="list-style-type: none"> <li>Volumes</li> <li>Acquisition/qualification expenses</li> </ul>
B. Components BU	<ul style="list-style-type: none"> <li>Product requirements (TOEM)</li> <li>Synergy around Business Practices</li> </ul>	<ul style="list-style-type: none"> <li>Predictability</li> <li>Sales/marketing pre and post sales support</li> </ul>	<ul style="list-style-type: none"> <li>Business practices for commodity products (on/off base) (channels, OA; etc.)</li> <li>Inter business price (IBP) and terms</li> <li>Volumes</li> </ul>
C. Multi-vendor customer services	<ul style="list-style-type: none"> <li>Competitive end-user warranty (product attribute)</li> <li>After-market sales (trade-up; migration)</li> <li>On-site sales support services</li> </ul>	<ul style="list-style-type: none"> <li>Reliable products</li> <li>Repair/EOL strategies</li> <li>Market programs</li> </ul>	<ul style="list-style-type: none"> <li>Warranty terms</li> <li>Repair/EOL strategy</li> <li>After-market sales and programs</li> </ul>

**Storage Contracting Activities**

**Storage BU Needs**

**Contracting Entity Needs**

**Partnership Agreement**

3. Territories (at Storage's Option)

- Direct/indirect sales into multi-vendor environment
- Administrative and "site support" (OA, credit, logistics; etc.)
- Coordination of across-BU resources (selling and marketing)
- Local language translation

- Predictability
- Marketing pre/post sales support to expand Storage add-on business

- Territory "site support" and cross-BU resources
- Marketing pre/post sales support (Storage and cross-BU)
- Volume and NOR

4. OEM and Digital off-base (Storage owns)

- Competitive channel costs
- Marketing pre/post sales support

N/A

N/A

5. Functions:  
A. Supply Chain

- SLA's on feeder plants
- Competitive order fulfillment and logistics costs

- Predictability
- Cycle time, lead time goals
- Inventory goals

- SLA's
- MCV
- Predictability
- Supply chain goals

B. Engineering

- Integration into systems/solutions designs
- Engineering functional expertise (software; etc.)
- Competitive on-time solutions and predictability

- Storage product plans and requirements

- Storage/system design integration
- Storage product plans
- Contracted "work" with functional Engineering

C. Corporate Operations

- Competitive Infrastructure expenses (Finance, IM&T, etc.)

- Agreement on Infrastructure expense





# **Discrete Manufacturing and Defense CBU**

## **Context For Partnership**

# **Discrete Manufacturing & Defense Business Unit**

## **STRATEGIC INTENT**

***To Profitably grow our Solutions Business while managing our Platform Business for Profit through substantial use of Channel Partners.***

### **Business Solutions/SI**

Through consultative level selling, deliver World Class Solutions that fundamentally improve the business performance of our Discrete Manufacturing & Defense Customers.

- Focus on the Top 200 customer accounts, leveraging our #1 position on the shop floor to achieve a #1 or #2 position in Integrated Logistics, Integrated Product Development, and other Core Business Processes including creative outsourcing.
- Focus on C3I solutions for leading DOD/Intelligence agencies and programs.

### **IT Platforms**

Rationalize SG&A and leverage Alpha AXP/OSF technology to return our traditional platform business to competitive profit.

- Recruit and support top CAD Manufacturing, and Logistics CSOs on Alpha AXP/OSF.
- Aggressively move the bulk of our platform business through yet to be structured indirect channels.
- Pursue VMS opportunities as appropriate and migrate the installed base and channel partners to Alpha AXP/OSF/NT

# Discrete Manufacturing & Defense Business Unit

## REQUIREMENTS FOR FUTURE SUCCESS

### Differentiators

#### **Business Solutions/SI Supplier**

- World class industry consultants capable of running our customer's businesses while developing enduring business relationships
- Superior execution of selling, delivering and leveraging custom solutions
- Digital's strength as a distributor and manufacturer of complex products

#### **Platform Supplier**

- Sustained Price/Performance leadership in platforms
- Highly focused CSO programs over limited suite of partners
- Exceptionally creative and flexible business practices

### Core Competencies Needed

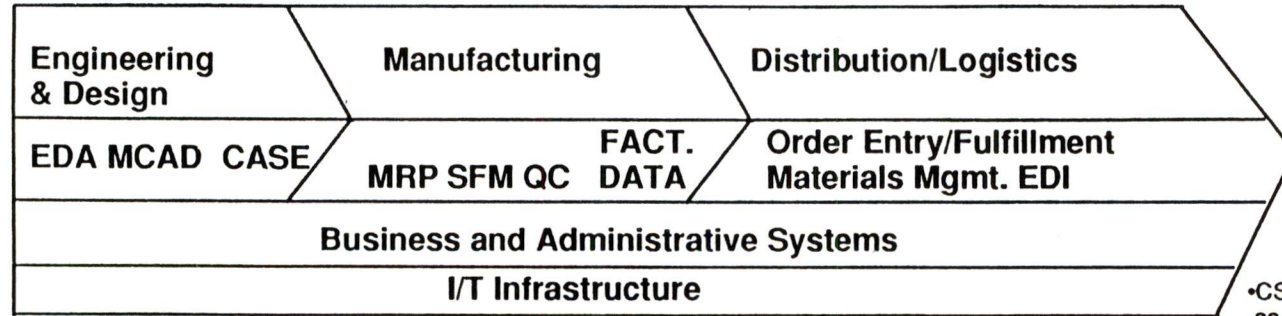
- Specific application/solution knowledge and experience near customer.
- Business acumen accumulated in years of industry leadership
- Practical experience in fundamentally changing organizations
- Flexible and effective global business and pricing practices
- Hard nosed program and risk management skills
- State of the art supply chain
- Internal experts capable of making quantum improvements in the customer's business
- OSF environment on Alpha AXP, including key CSO applications, middleware and security
- Maintain and enhance microprocessor, compiler, and network leadership
- Incentive and support relationship management, lead referrals and programs, conflict management, and porting capability
- Ability to structure business and execute deals with unique value

# Discrete Manufacturing & Defense Business Unit

## FOCUS AREAS

### EXAMPLE

## ELECTRONICS INDUSTRY VALUE CHAIN



#### ACCOUNTS

##### TOP TIER

Xerox  
Motorola  
IT  
Intel  
ABB  
Siemens  
Phillips  
Sony  
NEC

##### MID TIER

Storage Tech  
Novell  
Analog Devices  
Pioneer Electronics  
ACER

##### SMALL

Integrated  
Device Tech.  
Orbit Semi  
EMC  
SYNOPTICS

#### Channels Strategy

- Direct Acct. Mgmt for Top 15% Customers
- VARS, OEMs, and Distributors for Other 85% of Accounts
- Leverage DECdirect, OEM/Components Channels for Maximum DEC Revenue

#### INVESTMENTS

- |  |  |  |   |
|--|--|--|---|
| <p>(5) •Support Opportunistic ports/migration</p> <p>(3) •Invest In Product Data Mgmt Solutions</p> <p>•Build new PDM PS/SI capability timed with market acceptance</p> <p>(4) •Build UNIX/CASE/PS/SI capability around TEAM/SEE for computer, communication, and equipment segments</p> | <p>(1) •Aggressive Support of Consilium, Oracle, &amp; SAP on Alpha/OSF for top-tier accounts</p> <p>•Aggressive Support of: Promis, ASK for mid-tier accounts</p> | <p>(2) •Invest In Key partnerships - Migrate GSI to Alpha OSF</p> <p>•Invest to build PS/SI capability in D/L worldwide; extended from mfg. base</p> | <p>•CSO Programs as outlined in (1) &amp; (2) for Alpha/OSF1</p> <p>•PDM Technology &amp; PS/SI delivery</p> <p>•TEAM/SEE Technology &amp; PS/SI delivery</p> <p>•NAS/Messaging for multivendor UNIX</p> <p>• Industry Experts close to customer</p> <p>• Global Business Practices</p> <p>•PACRIM Presence</p> |
|--|--|--|---|
- (6) Invest In Middleware running on Sun, HP - Multivendor Enterprise Messaging

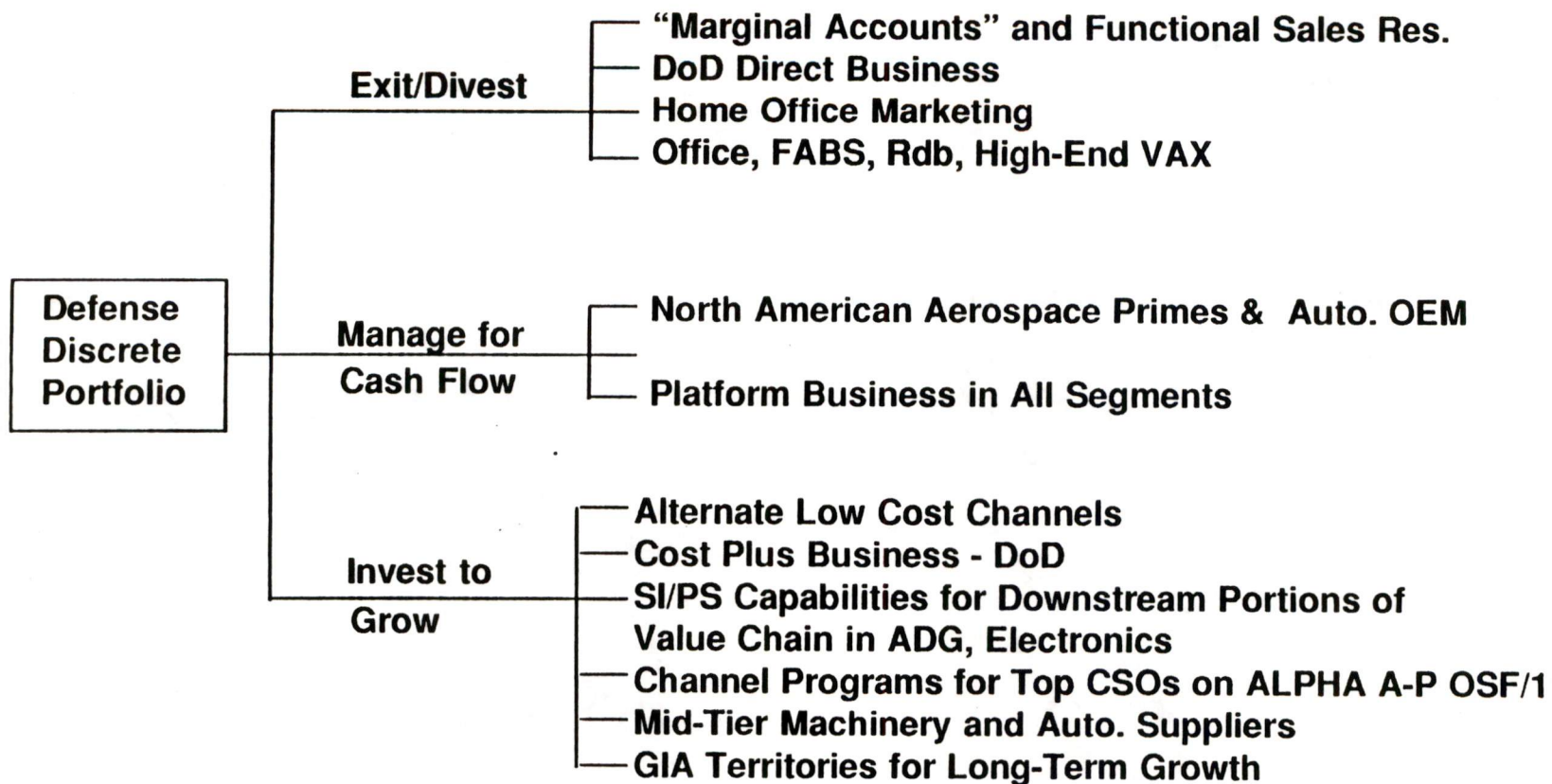
#### FUNDED BY DIVESTMENTS

- Fractional Direct Sales
- Layers of Field O/H
- Marginal Accounts
- RdB, Open VMS (Hold)
- Office Application Products
- High-end VAX
- Shifting Installed base product sales to distributors

# Discrete Manufacturing & Defense Business Unit

## CBU STRATEGIC/PORTFOLIO OPTIONS

### Examples of Issues Under Evaluation



## Market Size and Challenge

<b>Automotive/Machinery</b>	<b>\$15 Billion</b>
<b>Aerospace</b>	<b>\$ 5 Billion</b>
<b>Electrical/Electronic</b>	<b>\$19 Billion</b>
<b>Defense</b>	<b>\$10 Billion</b>

**Global Market** : ~ \$50 Billion and Undergoing Major Discontinuities  
**Our Share** : ~ \$ 2 Billion, 4%  
**Profitability** : ~ Estimate Losing \$100M - \$150M Net of MCS  
Revenue

### **Commitment:**

- **Profitability In FY94**
- **Share Growth In Target Markets, FY94 and Beyond**

## **Focusing Our Resources\***

- **Business Portfolio Evaluation To Identify Target Markets.**
- **Top 200 Accounts Directly Served [Focused Channel Strategy For Platforms To Large Accounts And SME].**
- **Leveraging Relationship With A Few Key CSO's.**
- **Building Credible PS/SI Practices Focused On Six Business Processes In Our Customers' Value Chains.**
- **Explicit Decisions On What We Will:**
  - **Invest To Grow**
  - **Manage For Cash Flow**
  - **Exit/Divest**

**\*Details In Advice Package**



# FY'94-95 Business Planning Package

## Discrete Manufacturing & Defense

### Major Execution Imperatives

1. Achieve benchmark SG&A performance, both by unique selling models and by total aggregate by FY95 in order to meet CBU wide goal of 23% and build momentum to further improve for FY96.  
More specifically achieve Territory based SG&A (Direct Sales, Sales Support, Territory Marketing and Admin, and Local/Area Headquarters) of:
  - SI/PS at 10% of NOR
  - Systems/CSOs at 24% of NOR
  - Merchandising/Direct at 12% of NOR
2. Build/Acquire competency in 6 PS/SI solution practices (worldwide) to support the top 200 accounts with focus in the following solutions:
  - Integrated Product Data Management
  - Embedded SW/CASE
  - Logistics/Supply Chain
  - Shop Floor Control Management/Execution Systems
  - C3I and Secure Systems
  - Order-to-Delivery Systems for Automotive
3. Recognize that the current indirect channel programs are inadequate and therefore we must build a credible series of technical support and demand generation programs for a limited number of Tier I CSOs to enable a rapid transition of platform business to indirect channels and manage the near term revenue risk.
4. Jointly define the named accounts, Tier I CSOs and other CSOs along with the "rules of engagement" for the various Digital selling models - both within the CBU and the other CBUs/PBUs to ensure an orderly transition of accounts and channels.
5. Develop and commit to a much more streamlined series of business and delivery practices (e.g. pricing, contract administration, etc.) to more effectively serve global accounts.

## FY'94-95 Business Planning Package Discrete Manufacturing & Defense

6. Recruit/Hire/Select from within for the following pivotal positions:
  1. Regionally distributed industry/sector managers
  2. Solutions team consultants and managers
  3. Channel programs managers for CSOs and VARS
  4. Program management
  
7. Develop and implement the necessary team and individual metrics to encourage:
  - Movement of platform revenues to indirect channels.
  - Higher win rate pursuit of long lead, yet potentially high value SI/PS solutions.
  - Global customer revenue growth.
  - Truly reward merit and performance
  
8. Redefine the organizational structure and clarify roles and accountability to be aligned along the following priorities:
  - Industry/Business segment management
  - Account or programs
  - Industry solutions
  - Tier I CSO Management
  
9. Build credible and responsive management information and marketing effectiveness systems and review procedures to provide better decision support for entire CBU team in order to maintain focus on execution.
  
10. Develop and make operational an ongoing business case review process to assess:
  - Funding of potential acquisitions/alliances or partnerships or cost plus entry strategies.
  - Impact of investments necessary to achieve SG&A cost reduction (e.g. Re-engineering systems).
  - Exceptional opportunities not stipulated in partnership agreement process.
  - True economics of engineering and marketing investments.
  - Program bid and proposal review.



# **Financial, Professional & Public Services Business Unit**

**WORLDWIDE BUSINESS UNIT TERRITORY PARTNERING MEETING**

# Financial, Professional & Public Services Business Unit

## • Market Opportunity

FY93

– Size

	Fin. Svcs.	Prof. Svcs.	Public Admin.	Total
Industry (\$B)	\$ 35	\$ 67	\$ 28	\$130
Industry growth	4.5%	5.6%	3.5%	
DEC share	5.7%	1.7%	3.2%	

(\$B)

	Fin. Svcs.	Prof. Svcs.	Public Admin.	Total
U.S.	\$14	\$ 25	\$ 11	\$ 50
Europe	10	21	13	44
GIA	11	21	4	36
<b>Total</b>	<b>\$ 35</b>	<b>\$ 67</b>	<b>\$ 28</b>	<b>\$130</b>

Industry Source: INTECO and CMS

# Financial, Professional & Public Services Business Unit

Merchandising

Partners

Solutions Sale

Total

Commodity

Low price

Convenience

Quality

Systems

Price performance

Integration capabilities

Solutions

Business impact

Business knowledge

Technical capability

## Financial, Professional & Public Services

### Sales Delivery Model

<b>Worldwide</b>	<b>Merchandising</b> (PC by DEC, 800-Software)	<b>With Partners</b> (VARs,CSOs or In-house)	<b>Solutions Sale</b> (Complex, Customized)	<b>FY94 NOR \$ MM</b>	<b>FY93 NOR \$ MM</b>
<b>Commodities</b> (e.g., PCs, VIPs, 'Storage add-ons)	7% \$219	16% \$486	6% \$178	\$883	\$814
<b>Systems</b> (Traditional Products, ' non-commodity)	3% \$80	26% \$801	15% \$456	\$1,336	\$1,362
<b>Prof'l Serv. + SI</b> (Services ONLY)	0% \$0	8% \$260	20% \$634	\$894	\$855
<b>FY94 Total</b>	<b>\$299</b>	<b>\$1,547</b>	<b>\$1,268</b>	<b>\$3,114</b>	
<b>FY93 Total</b>	<b>\$287</b>	<b>\$1,651</b>	<b>\$1,094</b>		<b>\$3,031</b>

\*\* Digital Confidential \*\*

# Financial, Professional & Public Services Business Unit

## WHAT I'M HEARING

### Customers:

- Recognized as a good hardware vendor --
- Not a solutions partner

### Partners:

- Difficult to work with
- Poor business practices
- Partner or competitor?



# Financial, Professional & Public Services Business Unit

- Organization

Financial Services  
Professional Services  
Public Administration

Marketing/Channels  
Solution Creation  
Technical Director

Area CBU Managers

- Narrower - Deeper Market Strategy

- All Channels Strategy
  - Merchandising
  - Partners
  - Solutions

# Financial, Professional & Public Services Business Unit

- Solutions Selling & Delivery
  - Vertical Solutions
  - Horizontal Applications → Industry Solutions
- Business Development
- Worldwide Applications Management
- Business Unit Role
  - Vision, Strategy, Tools.....

# Financial, Professional & Public Services Business Unit

## HIGHLIGHTS

- Banking in the U.S.
- Case handling and workflow solutions
- Emerging capital markets in Eastern Europe, Latin America, and Asia
- Partners
  - o New sales/solutions delivery model
- New Focus:
  - o Public Administration
  - o Professional Services
- "Leapfrogging"

# Financial, Professional & Public Services Business Unit

## Focus Areas

Financial Services

Prof. Services

Public Admin.

Retail Branch Trading Private Banking Payments	Practice Mgmt. Project Mgmt. Software Development Legal	Judicial Public Safety Customs Postal
workflow	→	
case handling	→	
management reporting	→	
customer service	→	
document mgmt.	→	

# Financial, Professional & Public Services Business Unit

- Business Model

	<u>FY93</u>	<u>Competitive</u>
Revenue	100%	100%
COS	62%	59%
SGA	36%	23%
R&D	12%	8%
Operating Income	<10%>	10%

- Revenue Range (\$M)

	FY93 Fcst.	FY94 % Growth	FY95 % Growth
Financial Services	\$1255	6%	6%
Professional Services	870	12%	15%
Public Administration	825	6%	7%
Total	\$2950	5-8%	5-8%

# Financial, Professional & Public Services Business Unit

## Key Applications & Solutions:

Segment	Application/Solution	Partner	Territory
Trust & Custody	"Global+Plus" (P)	Premier Solutions, Ltd.	UK, Germany
	"Ultrust" (P)	National Computer Systems +	UK, Germany
	"Trustware" (P)	National Computer Systems	UK, Germany
Payments	"The Intranet System" Funds Transfer (P)	Intranet	Germany
	Clearing Systems (I)		Emerging
	Funds Transfer "ST400" (P)	STS "SWIFT"	UK, Ger, Switz.
	Funds Transfer "CACHE" (P)	STS "SWIFT"	
Retail/Payments & Credit Unions	Retail Account "Profile" ATM "RS6000 (P)"	Sanchez + ERDS	Emerging
Retail	"DECbank FBS" (I)	Retail Banking and Work flow Mgmt Products	Nordic, UK, Ger.
Trading	"DECtrade" (I)	Larger trading floors	UK, Ger, Switz.
	"DECtrade Compact" (I)	Small <30 Trading floors	
	Execution (P)	OMR +	
	Trade Execution (P)	Tower Mountain	
	Risk Management (P)	Algorithmics	
	Decision Support "Rita" (I/P)	Synergy	
Risk Management (P)	TERM		



digital

# **Consumer & Process Manufacturing CBU**

John E. Klein  
March 1-3, 1993



# Strategic Intent

Deliver value added solutions that solve our customers problems and provide profit and growth for Digital.

Achieve this in an environment which promotes a committed, motivated and productive workforce.

Be The Best At What We Do

# Business Model

	<b>CBU FY93 Assessment</b>	<b>Corporation Competitive Model</b>
NOR	100%	100%
GM	46%	44%
SG&A	38%	23%
Eng.	15%	9%
PBT	(7%)	12%

## Number of Accounts Comprising 80% of Revenue

	<u>Eur</u>	<u>GIA</u>	<u>US</u>	<u>WorldWide</u>
Chemical	16	17	15	39
Retail	275	250	280	805
FMMG	115	140	90	335
Oil & Gas	24	20	15	54
Utilities	50	50	100	200
T&T	35	22	37	93
CPG	20	27	31	65
Total	535	526	568	1561

## MAJOR CUSTOMERS BY INDUSTRY SEGMENT - *Consumer & Process Manufacturing*

### CHEMICAL

Dupont	Dow	Kodak	Monsanto
Michelin	Hoechst	ICI	Air Products
GE Plastics	Lucky	Promodat	Solvay
AGFA	BASF	Degussa	AKZO
Rohm and Haas	FMC	Nihon	Mitsubishi

### CPG

Unilever	Philip Morris	RJR Nabisco	Quaker Oats
Tyson Foods	Mars	Ralston Purina	Lego
Kellogg	Proctor & Gamble	Colgate Palmolive	Kirin Beer
Avon	Nestles	Sara Lee	Hershey
Heinz	Gillette	Pepsi	Perrier

### FMMG

Alcoa	Arbed	BHP	Bowater
British Steel	Champion Int'l	Corning	CRA LTD
Georgia-Pacific	Hoogovens	Inland Steel	International Steel
Lafarge	LTV Steel	Measurex	Millikin
Pohang Iron & Steel	SCA Packaging	Scott Paper	U.S. Steel

### OIL & GAS

Shell	BP	Chevron	Schlumberger
Repsol	Mobil	Honeywell	Norsk Hydro
Agip	Cepsa	Marathon	Petrogal
Woodside	Saga Petro	Halliburton	PDVSA
Enterprise Oil	Koch	Amerada Hess	Exxon

## MAJOR CUSTOMERS BY INDUSTRY SEGMENT - *Consumer & Process Manufacturing*

### RETAIL/WHOLESALE

<b>Blockbuster</b>	<b>Toys R US Inc</b>	<b>Castorama</b>	<b>Coles Meyer</b>
<b>Corstar Bus Comp</b>	<b>Ikea</b>	<b>Victoria's Secret</b>	

### TRAVEL & TRANS

<b>E-Systems</b>	<b>AMR</b>	<b>Burlington Northern</b>	<b>Conrail</b>
<b>Danzas</b>	<b>Swedish Road</b>	<b>P&amp;O Ferries</b>	<b>NY/NJ Port Authority</b>
<b>Nationale Belgium</b>	<b>Techpro</b>	<b>Modern Terminals</b>	<b>NJ Turnpike Authority</b>
<b>Tokai Riyokyaku</b>	<b>O.C. Transport</b>	<b>Changi Int'l Airport</b>	<b>Kelang Container</b>
<b>ALL Nippon Airways</b>	<b>Hawke Computers</b>		

### UTILITIES

<b>British Gas</b>	<b>National Power</b>	<b>Endesa</b>	<b>RWE Energie</b>
<b>Electrabel</b>	<b>ENEL</b>	<b>EDF/GDF</b>	<b>Elec Trust of SA</b>
<b>Pacific Power</b>	<b>Tokyo Electric</b>	<b>Tokyo Gas</b>	<b>Hong Kong Electric</b>
<b>China Light &amp; Power</b>	<b>TransAlta</b>	<b>Hydro Quebec</b>	<b>Commonwealth Ed</b>
<b>Amer Elect Power</b>	<b>Con Edison</b>	<b>Southern Co</b>	<b>Pacific Gas &amp; Elec</b>

# Market Opportunity

- Total Market (93) \$143B
- Target Market (93) \$ 81B
- Focus Market (93) \$ 19B

<u>93 Target Market</u>	<u>CAGR through 96</u>		<u>93 Focus Market</u>	<u>CAGR Through 96</u>
\$23B	8%	Utilities	\$5B	18%
19	5	Retail/Wholesale	4	10
11	10	Travel/Trans	4	12
10	7	Forest/Metal/Mining	1	10
9	6	Chemical	1	8
6	5	Oil&Gas	3	7
2	7	Consumer Pkgd Goods	1	10
<u>\$81B</u>	6%	CBU Market	<u>\$19B</u>	12%

**Focus Market 24%.....28%**

# Customer Need

Common approach to meet customer needs across industries.

## TECHNOLOGY

Realtime Systems

## APPLICATIONS

GIS

Document Mgmt/Configuration Mgmt

Supply Chain Mgmt

Quick Response

## SYSTEMS INTEGRATION

	<u>Chm</u>	<u>CPG</u>	<u>EMMG</u>	<u>O&amp;G</u>	<u>R/W</u>	<u>I&amp;T</u>	<u>U/I</u>
Realtime Systems			X				X
GIS				X		X	X
Document Mgmt/Configuration Mgmt	X			X		X	X
Supply Chain Mgmt	X	X			X	X	
Quick Response		X			X		
SYSTEMS INTEGRATION	X	X	X	X	X	X	X

# FY94 Territory Focus by Business Sector

High / Med / Low

	CHM	CPG	FMM	O&G	RW	T&T	UTL	ENV
<b>United States</b>	H	M	H	H	H	M	M	H
<b>LACR</b>	L	L	M	M	L	L	L	H
<b>Canada</b>	L	H	M	M	H	L	M	H
<b>South Pacific</b>	M	H	H	L	L	L	H	H
<b>Asia</b>	H	M	H	H	M	H	H	H
<b>Japan</b>	H	M	M	L	M	M	M	L
<b>UK/Ireland</b>	M	M	M	H	H	H	M	H
<b>Spain+</b>	L	H	M	H	L	L	M	M
<b>Germany</b>	H	M	M	L	H	H	M	H
<b>Switzerland+</b>	M	H	H	M	M	H	M	M
<b>Nordic</b>	L	M	H	H	M	M	M	L
<b>Italy</b>	L	H	L	M	L	M	M	M
<b>France</b>	L	H	H	L	H	H	H	M

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# Current Market Appraisal

## What we're doing well:

Chemical	#1 for Plant Floor Applications
CPG	Strong presence in real time process manufacturing
FMMG	#1 in mill process control
Retail/Wholesale	Successful launch of 1st "open" Point of Sale System
Oil & Gas	Refinery master planning and SI projects
Travel & Transportation	Cargo Terminals
Utilities	#1 for Energy Management Systems / SCADA platforms

## What needs work?

Continuity of account coverage  
Industry specific strategies  
Ability to deliver PS/SI in a consistent, quality manner

# Differentiators

Successful companies are described by:

- Focus
- Excellence of people
- Ability to rapidly respond to and meet market/customer needs

Our strategy to win:

Change organizational structure to focus on customers in order to:

- Enhance market responsiveness
- Improve organizational effectiveness
- Reduce cost
- Provide increased business focus

**We will be the only competitor to be**  
**•A Full Function “Value-Add” Supplier**  
**with**  
**•Resources aligned by customer business**

# Focus Areas

## Invest

## Disinvest

Technology

Multivendor Integration  
NT  
GIS  
ALPHA CASE Tools

Selected Vertical Applications  
Fault Tolerant

Geographies

Asia  
South America  
PRC  
Japan  
Eastern Europe

SG&A

Vertical /  
Functional

Focused sales force  
Industry advertising / PR  
Environment - Horizontal

Environment - Vertical  
Functional Overhead

# Competitive Business Model

## Consumer & Process Manufacturing CBU

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	<b>CBU FY93 Assessment</b>	<b>CBU Competitive Model</b>	<b>FY94 Estimated Gap</b>
NOR	100%	100%	N/A
GM	46%	42%	(80M)
SG&A	38%	24%	290M
ENG	15%	8%	140M
PBT	(7%)	10%	340M
Revenue	\$1915		\$2050M
Growth	6%		6-8%

## **Risks and Dependencies**

Timely availability of credible data and skills to run the CBU as a P&L Business

Consistent implementation of new organizational design

Implement transition from products to solutions

**.....TEAMWORK based on Trust**

**Consumer & Process Manufacturing Customer Business Unit**

**John E. Klein**

**March 1-3, 1993**

## MAJOR CUSTOMERS BY INDUSTRY SEGMENT - *Consumer & Process Manufacturing*

### CHEMICAL

Dupont	Dow	Kodak	Monsanto
Michelin	Hoechst	ICI	Air Products
GE Plastics	Lucky	Promodat	Solvay
AGFA	BASF	Degussa	AKZO
Rohm and Haas	FMC	Nihon	Mitsubishi

### CPG

Unilever	Philip Morris	RJR Nabisco	Quaker Oats
Tyson Foods	Mars	Ralston Purina	Lego
Kellogg	Proctor & Gamble	Colgate Palmolive	Kirin Beer
Avon	Nestles	Sara Lee	Hershey
Heinz	Gillette	Pepsi	Perrier

### FMMG

Alcoa	Arbed	BHP	Bowater
British Steel	Champion Int'l	Corning	CRA LTD
Georgia-Pacific	Hoogovens	Inland Steel	International Steel
Lafarge	LTV Steel	Measurex	Millikin
Pohang Iron & Steel	SCA Packaging	Scott Paper	U.S. Steel

### OIL & GAS

Shell	BP	Chevron	Schlumberger
Repsol	Mobil	Honeywell	Norsk Hydro
Agip	Cepsa	Marathon	Petrogal
Woodside	Saga Petro	Halliburton	PDVSA
Enterprise Oil	Koch	Amerada Hess	Exxon

## MAJOR CUSTOMERS BY INDUSTRY SEGMENT - *Consumer & Process Manufacturing*

### **RETAIL/WHOLESALE**

**Blockbuster**

**Toys R US Inc**

**Castorama**

**Coles Meyer**

**Corstar Bus Comp**

**Ikea**

**Victoria's Secret**

### **TRAVEL & TRANS**

**E-Systems**

**AMR**

**Burlington Northern**

**Conrail**

**Danzas**

**Swedish Road**

**P&O Ferries**

**NY/NJ Port Authority**

**Nationale Belgium**

**Techpro**

**Modern Terminals**

**NJ Turnpike Authority**

**Tokai Riyokyaku**

**O.C. Transport**

**Changi Int'l Airport**

**Kelang Container**

**ALL Nippon Airways**

**Hawke Computers**

### **UTILITIES**

**British Gas**

**National Power**

**Endesa**

**RWE Energie**

**Electrabel**

**ENEL**

**EDF/GDF**

**Elec Trust of SA**

**Pacific Power**

**Tokyo Electric**

**Tokyo Gas**

**Hong Kong Electric**

**China Light & Power**

**TransAlta**

**Hydro Quebec**

**Commonwealth Ed**

**Amer Elect Power**

**Con Edison**

**Southern Co**

**Pacific Gas & Elec**



## BUSINESS TRANSITION - *Consumer & Process Manufacturing*

### Product and Service Mix (Non-MCS)

	FY93		FY94	
	<u>PRODUCT</u>	<u>SERVICE</u>	<u>PRODUCT</u>	<u>SERVICE</u>
Chemical	71%	29%	67%	33%
CPG	72%	28%	65%	35%
FMMG	76%	24%	65%	35%
Oil & Gas	73%	27%	71%	29%
Retail/Wholesale	84%	16%	84%	16%
Travel & Transportation	79%	21%	77%	23%
Utilities	79%	21%	73%	27%
CPM	77%	23%	73%	27%

### COMPETITIVE BUSINESS MODEL

	CBU FY93 Assessment	CBU Competitive Model	CBU FY94 Assessment
GM	46%	42%	45%
SG&A	38%	24%	31%
ENG	15%	8%	12%

# Customer Need

Common approach to meet customer needs across industries.

**TECHNOLOGY**

Realtime Systems

**APPLICATIONS**

GIS

Document Mgmt/Configuration Mgmt

Supply Chain Mgmt

Quick Response

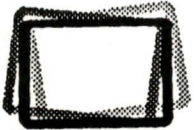
**SYSTEMS INTEGRATION**

	<u>Chm</u>	<u>CPG</u>	<u>FMMG</u>	<u>O&amp;G</u>	<u>R/W</u>	<u>I&amp;I</u>	<u>U/I</u>
Realtime Systems			X				X
GIS				X		X	X
Document Mgmt/Configuration Mgmt	X			X		X	X
Supply Chain Mgmt	X	X			X	X	
Quick Response		X			X		
SYSTEMS INTEGRATION	X	X	X	X	X	X	X

## TERRITORY FOCUS - FY94 - *Consumer & Process Manufacturing*

(H=High, M=Medium, L=Low)

	<u>Chm</u>	<u>CPG</u>	<u>FMMG</u>	<u>O&amp;G</u>	<u>R/W</u>	<u>T&amp;T</u>	<u>Utl</u>	<u>Env</u>
United States	H	M	H	H	H	M	M	H
Latin America	L	L	M	M	L	L	L	H
Canada	L	H	M	M	H	L	M	H
SPR	M	H	H	L	L	L	H	H
Asia	H	M	H	H	M	H	H	H
Japan	H	M	M	L	M	M	M	L
United Kingdom	M	M	M	H	H	H	M	H
Eastern Europe	L	H	H	H	L	L	H	M
Germany	H	M	M	L	H	H	M	H
Western Europe	M	H	H	L	M	H	M	M
Nordic	L	M	H	H	M	M	M	L
Italy	L	H	L	M	L	M	M	M
France	L	H	H	L	H	H	H	M



PERSONAL COMPUTER  
BUSINESS UNIT

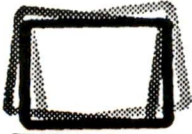
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# *FY 1994 Contracting Kick-Off*

## *March 2, 1993*



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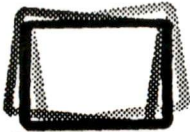
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## *Where Do We Want To Be ?*



***Our Stated Target Is To Be One Of  
The Top Five Profitable Providers  
Of Personal Systems By The End  
Of 1995. This Equates To Greater  
Than 2 Million Units And \$3.5 -  
\$4.0 Billion Of NOR***



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## Market Sizing



### PC FY93 Market Size In Units:

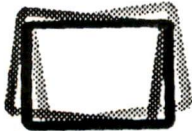
	<u>Worldwide Market</u> <small>(Million Units)</small>	<u>Digital</u> <small>(Thousand Units)</small>	<u>Digital Market Share</u>
United States	10.7	147	1.4%
Western Europe	10.0	112	1.1
ROW	<u>8.5</u>	<u>61</u>	<u>0.7</u>
<b>TOTAL</b>	<b>29.2</b>	<b>320</b>	<b>1.1%</b>

### DEC FY93 Unit Volume By Platform: (Thousands)

Desktop/Deskside	277
Server	1
Portables	42

### FY93 Unit Volume By Product: (Thousands)

Olivetti	66	Mobile	42
Tandy	33	Intel	13
Digital	164	Other	2



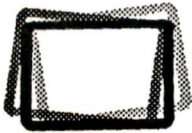
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## *Do We Have A Chance At Success ?*

- *Market Is Growing More Than 7 % Year Over Year*
- *Strong Brand Preference In Market If Cost Is Equal*
- *Digital Has Strong Brand Name*
- *Smaller PC Players Are Losing Market Share*
- *Digital Has Strong Installed Base, Loyal Customers*
- *Digital Has Strong Service Organization*
- *Digital Has A Technological Advantage (ALPHA)*



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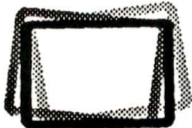
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## *A Clear & Innovative Product Strategy*

- *Worldwide Product Lines*
- *Dual Product Lines*
- *Emphasize Emerging Mobile Products*
- *Alpha Technology*





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## *Product Strategy*

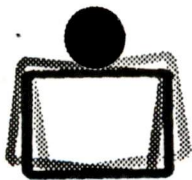


### The Standard Product Line

The Standard Product Line will compete on price by delivering a basic system capable of running DOS/Windows, popular business applications and acting as a Novell Netware client. These systems of “competitive quality” will be perceived by customers as “good enough” to meet their needs.

### The Premium Product Line

The Premium Product Line will compete on price/performance with 100% software and networking compatibility. System options will have a high degree of reliability. These systems will be perceived by customers as high quality systems at a competitive price.

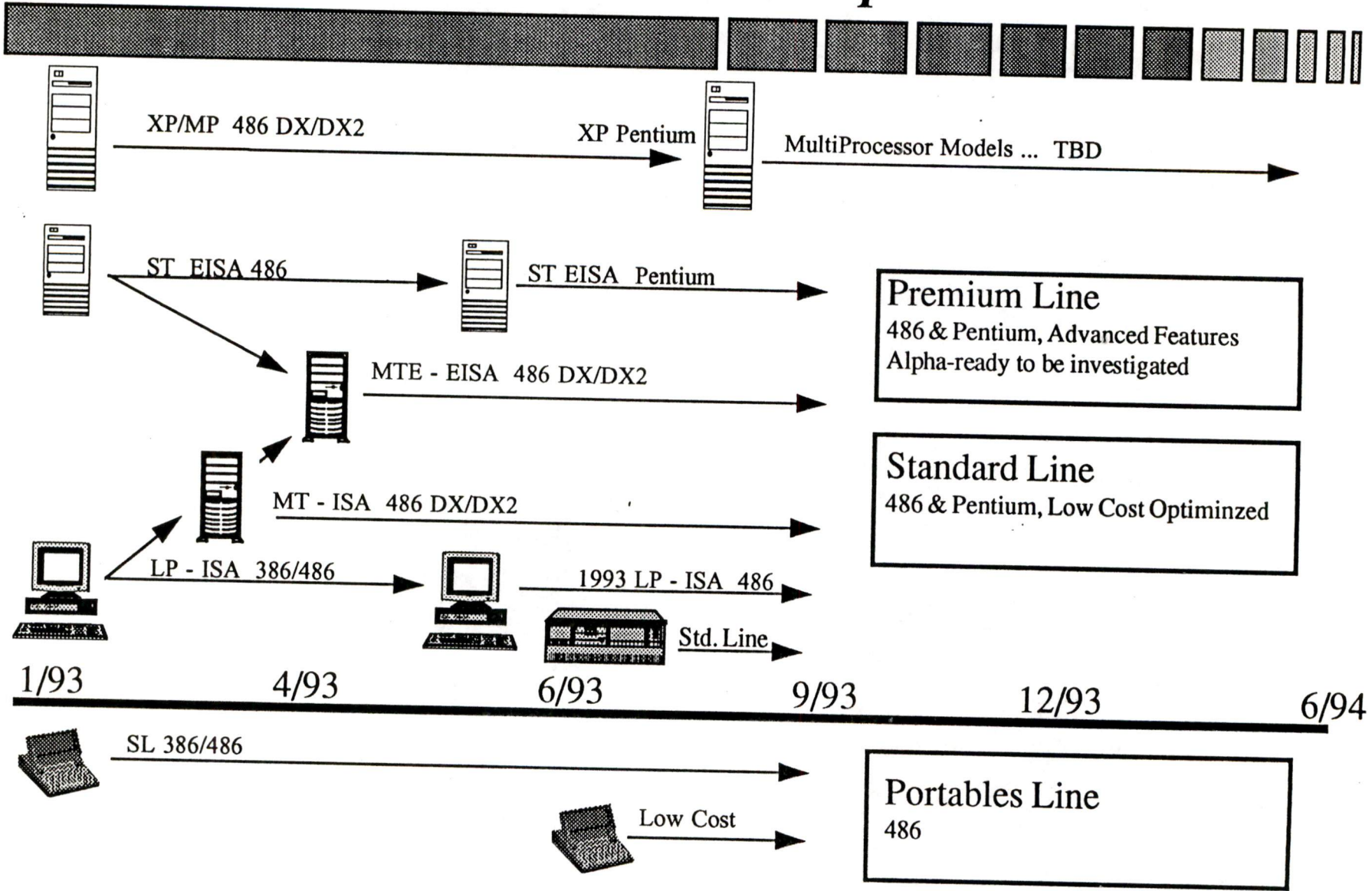


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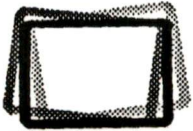
# Product Road Map



**Premium Line**  
486 & Pentium, Advanced Features  
Alpha-ready to be investigated

**Standard Line**  
486 & Pentium, Low Cost Optimized

**Portables Line**  
486



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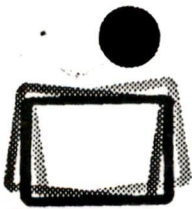
## *A Clear Sales Distribution Strategy*

### ■ *Build On Digital's Foundation*

- *Direct Marketing And Direct Sales*

### ■ *Expand Into Indirect Channels*

### ■ *Avoid/Manage Inherent Channels Conflict*



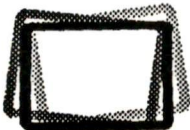
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## *Competitive PC Logistics*

- *Assemble To Order*
- *Competitive Delivery Time*
- *Cost Of Logistics*
- *Ease Of Ordering*
- *Information Systems Development*




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## *Business Model*



■ <i>Unit Volume</i>	<i>400 - 600,000</i>
■ <i>Revenue</i>	<i>\$750 - \$1250 Million</i>
■ <i>Gross Margin</i>	<i>23 - 25%</i>
■ <i>Operating Margin</i>	<i>4 - 7% (Before Tax)</i>
■ <i>DSO</i>	<i>55 Days</i>
■ <i>Inventory Turns</i>	<i>6.0 Times</i>
■ <i>ROA</i>	<i>8 %</i>



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# CEM Business Unit

February 1993

Paul Kozlowski

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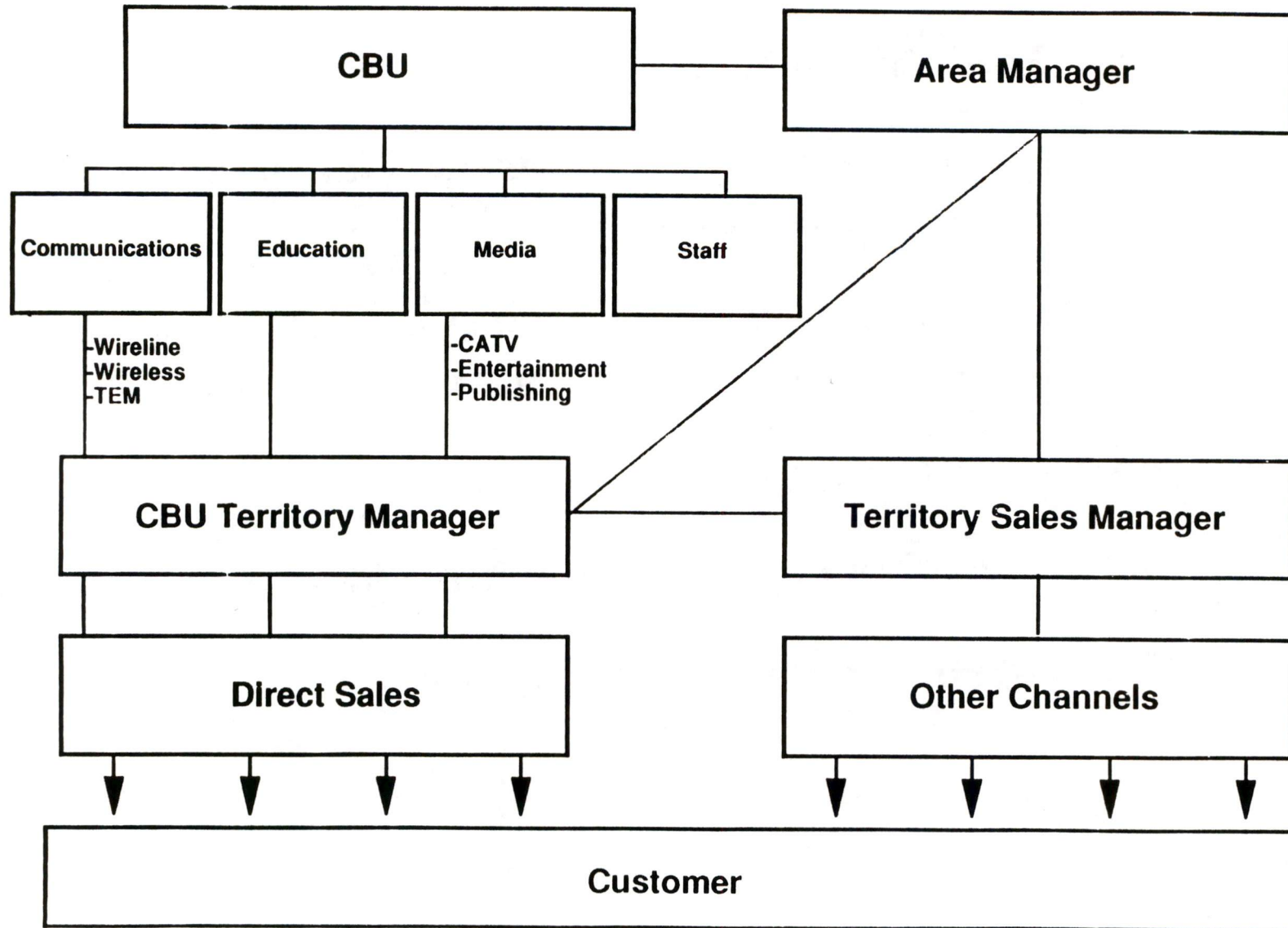
# Statement of Strategic Intent

**To Focus CEM on:**

- **Customer Need Identification & Satisfaction**
- **Competitive Products and Quality Solutions: As perceived By the Customer**
- **Dominant Market Share in Selected Market Segments**
- **Capitalizing on the Convergence of Communications, Computing and Media into Becoming a Multi-media CBU**
- **Commitment to Profitable Growth**



# Communications - Education - Media



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# Market Opportunity

## *Customer Needs (Prioritized)*

- **DEC's understanding of their business (align our Products and Solutions with their goals)**
- **Solutions to make them more competitive, efficient & profitable in their business (help with re-engineering)**
- **Downsizing (client/server)**
- **Integration of multi-vendor, multi-media networks (SI Plan)**
- **More responsive System Development for Customer**

---

# Current Market Appraisal

*What are we doing well?*

- **Recognized need to change**
- **Attention on customer (CBU structure)**
- **Trying to catch up on missed opportunities (UNIX, F.T., new PC's)**
- **Pockets of strength (ALPHA, Video on Demand, SI, Networking, Telecom Solutions)**

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# Current Market Appraisal (continued)

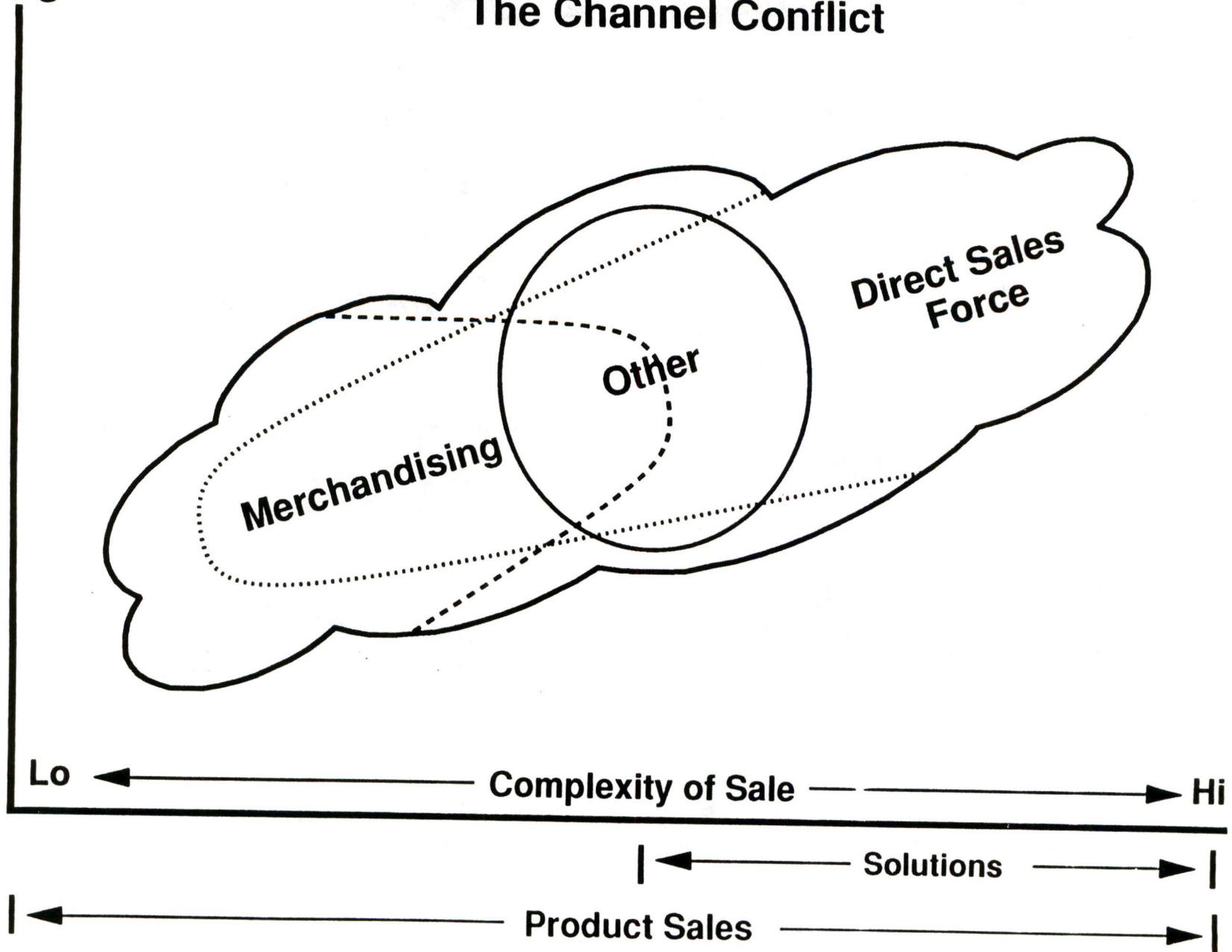
## *What Needs Improvement?*

- **Commitment and Discipline to achieve profitable growth**
- **Integration of SI centers (connect engineering, repetitive platforms, skills interchanges)**
- **Simplify the Sales Process and Message to Customer**
- **Focus: Do Fewer Things Better**
- **Financial and Operational Data and Reporting (Measurement & Accountability)**
- **Sales Assist Tools**
- **Ability to acquire appropriate people, fast!**

Profitability  
Margin

# The Sales "Cloud"

The Channel Conflict



---

# Success in Marketplace

*What Will Make Our Customers Buy From Digital?*

- **Understanding and anticipating the Customer's Business Needs**
- **Clear, Consistent and Focused Marketing and Strategic Messages**
- **Deliver as promised - Quality Products and Solutions the First Time**

*What Core Competencies do we Require?*

- **Integrate Niches into Solutions; Compete with Full Breadth of Products and Services**
- **Distribution Channels: Focused, Cost Effective, Qualified**
- **Effective Strategic Alliances**

---

# Focus Areas

## *What Are We Going to Change?*

- **Organization Structure**
- **People Attitudes (or people)**
- **Practices: Accountability, reporting and results orientation**

## *Major Areas of Investment/Maintenance*

- **Geographic Market Expansion: U.S. - TELCO/Cable; Eastern Europe - TELCO; LACR - TELCO; Other**
- **Disinvest:**
  - Publishing
  - Segments of Entertainment
  - Prepress (?)
  - Home Appliance (Cable)
  - European K-12 (USA)?
  - LACR (other than TELCO)
  - Other

---

# Financials

	<b>FY93</b>	<b>Competitive</b>	<b>Estimated</b>
	<b><u>Assessment</u></b>	<b><u>Model-%</u></b>	<b><u>GAP-\$</u></b>
<b>NOR</b>	<b>\$1400</b>	<b>100%</b>	<b>\$ N/A</b>
<b>CGS</b>	<b>770</b>	<b>55*</b>	<b>60*</b>
<b>GM</b>	<b>630</b>	<b>45</b>	<b>N/A</b>
<b>SG&amp;A</b>	<b>620</b>	<b>42*</b>	<b>(300)*</b>
<b>R/E</b>	<b><u>140</u></b>	<b>10</b>	<b><u>(40)</u></b>
<b>O/P</b>	<b><u>\$140</u></b>	<b>(10)%</b>	<b><u>\$(280)</u></b>

\* Needs Mix Reconciliation



---

# Major Messages

- *Focus on Customer*
    - Needs Satisfaction, Organizational Efficiency and Accountability
  - *Disciplined Sales Focus:*
    - Communications with CBU: Opportunities
    - Targeted Channels and Strategic Alliances
    - Fewer Accounts/Bigger Deals/Aggressive Pricing
    - Rejection of Non-profitable Deals
    - Significant Cost Reduction
  - *Quality:*
    - Products & Solutions - First Time
    - Efficiency and Productivity in Selling
- Commitment to Profitability-**





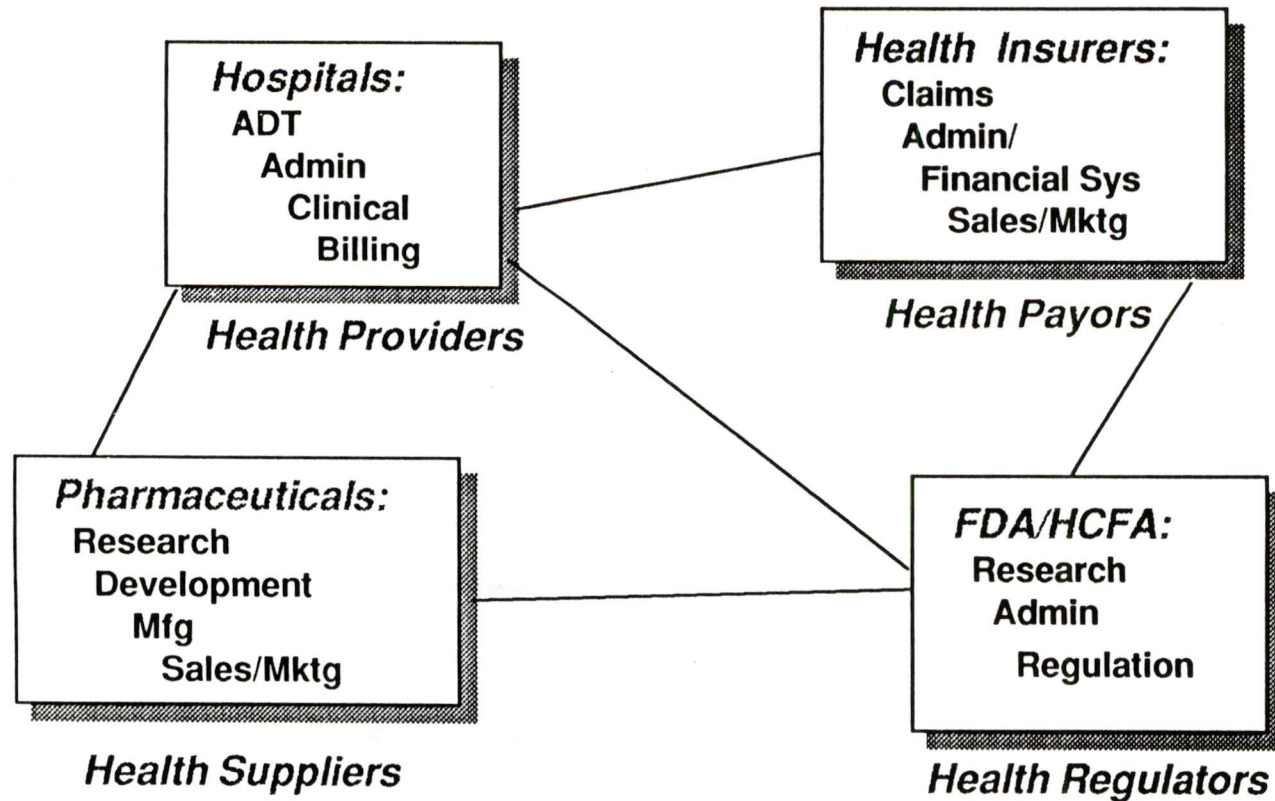
# **HEALTH INDUSTRIES BUSINESS UNIT**

**Worldwide Business Unit/Territory  
Partnering Meeting  
2 March 1993**



# Health Industries Value Chain

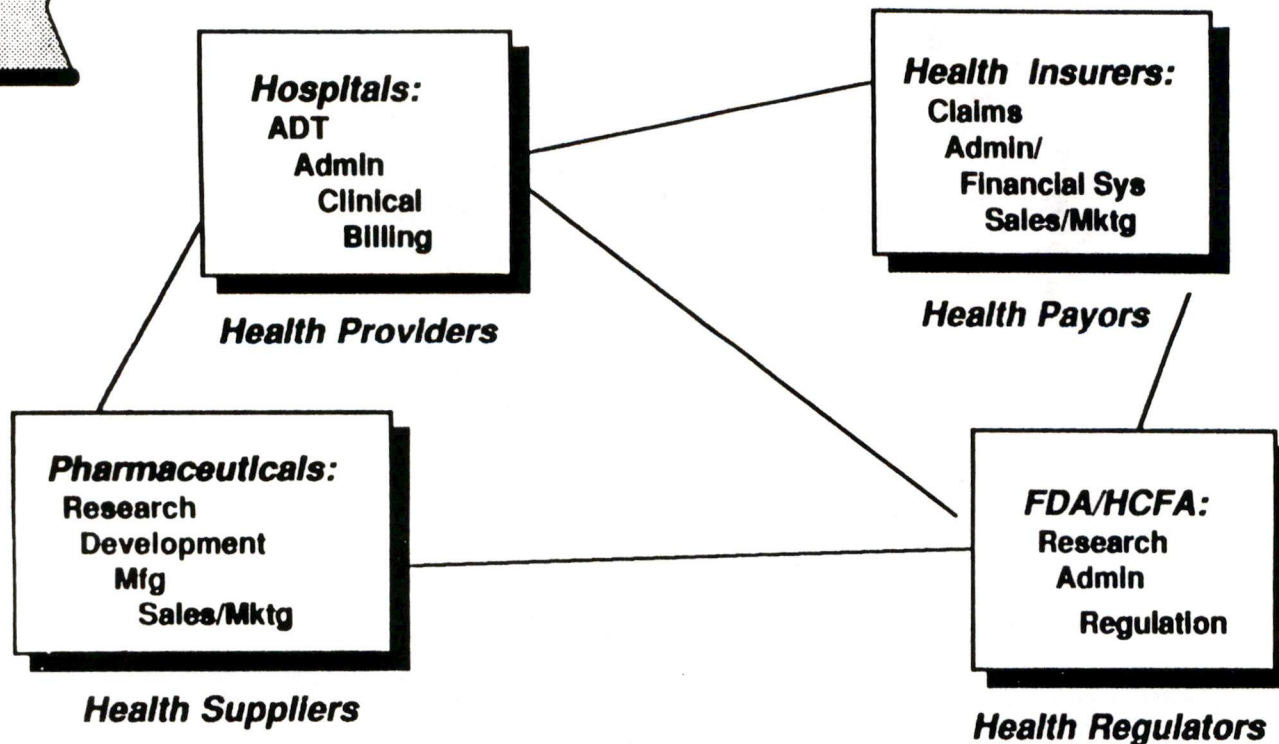
*Health Value System*  
*Health Community*  
*Health Extended Enterprise*



*Integration of Patient Related Information*



# Health Industries Value Chain



## 1980's

**IT Purchases:** Departmental Applications

**IT Vision:** Enterprise-wide Information Systems

**Digital Development:** CPR, Process Mfg Bus Sys, Desktop Integration

**Digital Competency:** Networking, Clinical Computing Application Integration, CSO Mgmt VAX/VMS

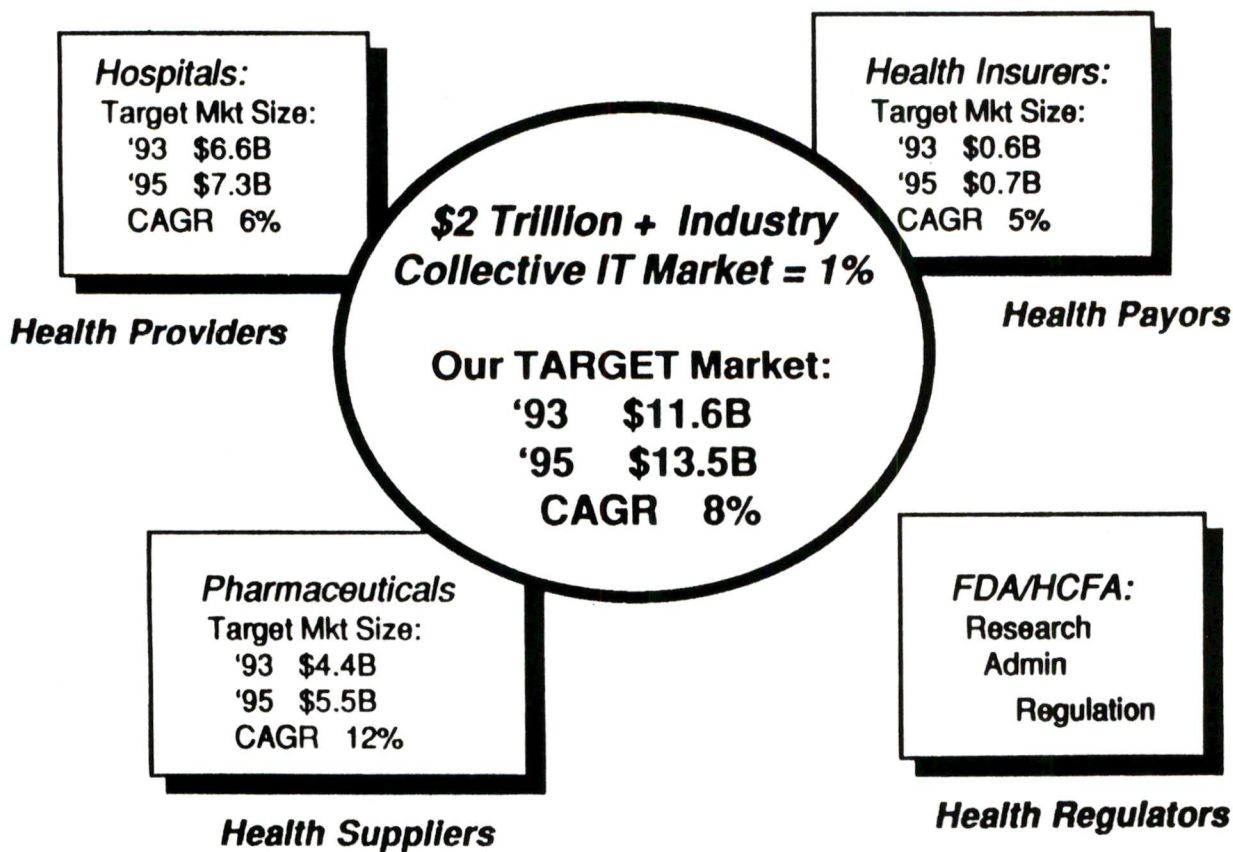
## 1990's

Departmental Applications  
Enterprise-wide Solutions  
Extended Enterprise/Information Flowing freely through the Health Value Chain  
EDI, nda, Clinical Trials, Telemedicine

Consulting & Education, Systems Integration  
Alliances, MCS, Alpha, Network Integration



# Health Industries Value Chain Market Opportunity (Size/Growth)





# Health Industries Business Unit Market Opportunity

## Industry Issues:

- **Legislation & Regulation**
- **Time to Market New Drugs**
- **Sound Financial Management, Control of Operating Costs**
- **Demonstrate Quality to Consumers (patients, subscribers, doctors)**
- **Access: Geographic, Economic, Cultural**

## Customer Needs

- **Global Research Networks**
- **Provide terabytes of information to Governments**
- **Automated Framework for drug approvals & clinical trials**
- **Activity-based costing systems**
- **Strong Decision Support**
- **Process Control Systems**
- **Automated Patient Information**



## Health Industries Business Unit Market Opportunity

### **Competition:** (Prioritized by threat to '94 Revenue)

- IBM - Traditional systems, consulting, Advantis
- HP - Clinical systems, open systems, partners
- EDS/Andersen/Cap Sogeti - Consulting & Integration
- Novell & Ungermann Bass - PC networking, PC integration
- Telecom Co's. - Information utilities, networks
- SUN, Apple, Workstation Vendors - TOEM & research applications





# Health Industries Business Unit

## Current Market Appraisal

### Strengths:

'What we do Well'

- Installed Base in Clinical & Research Departments
- Vertical Application Partners
- Worldwide Support
- Architectural Thinking
- Alpha Potential
- Government Bids/Contracting
- Corporate Positioning re: PCs, Downsizing

### Needs:

- Industry Solutions
- Clear Channels Strategy
  - i.e., - Distributors
    - Focused E/U Sales
    - Global Account Management
- Unencumbered Global Solution Delivery
- SI/Consulting Expertise
- Alpha SW Availability, Development for PC/WS



## Health Industries Business Unit

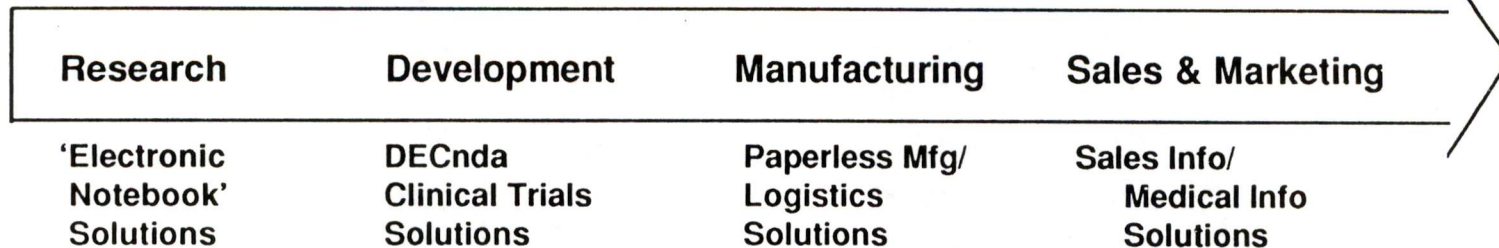
### *Business Performance Goals :*

	<u>FY'93</u>	<u>FY'94</u>	<u>FY'95</u>
Revenue	\$0.7B	\$0.8B	\$1.0B
Market Share	6%	6.8%	7.5%
NOR	100%	100%	100%
COGS	<u>53%</u>	<u>55%</u>	<u>58%</u>
GM	47%	45%	42%
SG&A	35%	30%	24%
R&E	<u>12%</u>	<u>10%</u>	<u>9%</u>
Op. Profit	-0- (EST)	5%	9%

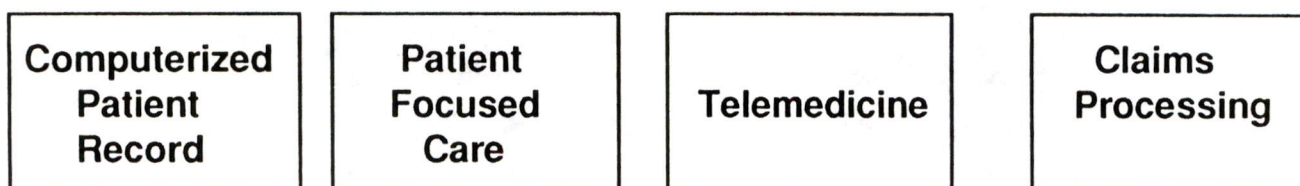


## Health Industries Business Unit Business Solutions Focus

*Across the Pharmaceutical Value Chain:*



*Targeted Healthcare/Health Insurance Opportunities:*





# Business Initiatives

**Focus on Customer's Mission Critical Business**



## **Business Initiative Model**



## Health Industries Business Unit

### *Health Solutions Business Focus:*

- ⇒ **Industry expert global consulting capability**
- ⇒ **Integrated worldwide Marketing/Sales/  
Professional Service/Solutions Engineering  
business initiatives**

### *Business Customers:*

- ⇒ **Global Pharmaceutical/Biotechnology Accounts**
- ⇒ **Major Government health providers and  
departments**
- ⇒ **> 400 bed hospitals and multi-hospital chains**
- ⇒ **> 200K member managed care organizations**
- ⇒ **Large primary health insurance companies and  
social insurance agencies**



## Health Industries Business Unit

### *Health Traditional Business Focus:*

#### **IT Infrastructure**

- ⇒ **Products, Services**
- ⇒ **Traditional S.I. (e.g., networking)**

### *Profit-Driven Distribution Strategy:*

- ⇒ **VARs**
- ⇒ **Distributors**
- ⇒ **DMO**
- ⇒ **Telemarketing**

### *Business Customers:*

- ⇒ **Biotechnology/BioPharmaceutical Companies**
- ⇒ **< 400 bed hospitals**
- ⇒ **Clinics/Nursing Homes/etc.**
- ⇒ **Small/Medium Health Insurance agencies & government departments**



## Health Industries Business Unit

### *Partnerships/Alliances:*

- ⇒ **Palette/Promis**
- ⇒ **MDL**
- ⇒ **MSI**
- ⇒ **Pharma Systems**
- ⇒ **IRI**
- ⇒ **SAS**
- ⇒ **Helix**
- ⇒ **Ceres**
- ⇒ **Booz Allen**



## Health Industries Business Unit Global Accounts

### *Industry skilled account managers/teams:*

#### Europe

Bayer  
Ciba-Geigy  
Glaxo  
Hoechst  
ICI  
Rhone Poulenc Rorer  
Roche  
Sandoz  
SmithKline Beechan

#### U.S.

Abbott Labs  
Am Home Products  
Baxter  
Bristol-Myers Squibb  
Eli Lilly  
Johnson & Johnson  
Merck  
Pfizer  
Cerner  
Shared Medical Systems  
Warner Lambert/Parke Davis  
Kodak/Sterling Drug

#### Japan

Fujisawa  
Yamanouchi





## Framework for Worldwide Health Industries Implementation

	<u>Exploration</u>	<u>Start-Up</u>	<u>Ramping</u>	<u>Mature</u>
<b>SALES</b>	Opportunistic	Investment in Indirect Channels	E-U Sales	Complex Sales Teams/Account Management
<b>ALLIANCES/ PARTNERING</b>	Opportunistic	Investment in simple partnerships	Few, focused Strategic Alliances	Global, complex Partnerships/ Strategic Alliances
<b>MARKETING</b>	Market Research	Limited Investment	Focused Mktg Programs	Full Marketing Portfolio
<b>INTEGRATED SOLUTIONS &amp; SERVICES</b>	None	Opportunistic	Major Projects	Full Delivery Capability
<b>Pharmaceutical Industry</b>	<ul style="list-style-type: none"> <li>• SPR</li> <li>• S. Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Asia</li> <li>• China</li> <li>• S. Korea</li> <li>• Central Europe</li> <li>• Czech</li> <li>• Hungary</li> <li>• Poland</li> <li>• Romania</li> <li>• Austria</li> </ul>	<ul style="list-style-type: none"> <li>• Japan -----&gt;</li> <li>• NORDEC</li> <li>• LACR (Puerto Rico)</li> <li>• Italy</li> <li>• Spain/Portugal</li> <li>• Canada</li> </ul>	<ul style="list-style-type: none"> <li>• U.S.</li> <li>• Switzerland/Benelux</li> <li>• U.K./Ireland</li> <li>• Germany</li> <li>• France</li> </ul>
<b>Healthcare Industry (incl Govn't)</b>	<ul style="list-style-type: none"> <li>• Central Europe</li> <li>• Czech</li> <li>• Hungary</li> <li>• Poland</li> <li>• Romania</li> <li>• Russia</li> <li>• LACR</li> <li>• Africa</li> </ul>	<ul style="list-style-type: none"> <li>• Asia</li> <li>• Japan</li> </ul>	<ul style="list-style-type: none"> <li>• France</li> <li>• Germany</li> <li>• Switzerland//Benelux</li> <li>• Italy</li> <li>• Spain/Portugal</li> <li>• SPR</li> <li>• Sweden</li> </ul>	<ul style="list-style-type: none"> <li>• U.S.</li> <li>• U.K./Ireland</li> <li>• Austria</li> <li>• Canada</li> <li>• Finland</li> <li>• Holland</li> </ul>
<b>Potential/ Digital Presence</b>	Medium/Low	Medium/ Medium	Med-High/ Med-High	High/High
<b>Market Position:</b>		#4/5	#2/3	#1/2

# Values of CBU

- ▷ Work and Decisions close to customer
- ▷ Consolidate work for economy only
- ▷ This is a team sport
- ▷ Flat, skill-based organization
- ▷ Take risks, make mistakes, learn, recover
- ▷ Small corporate HQ
- ▷ Balance short term results/long term strategy
- ▷ Global Perspective
- ▷ Do only what adds value
- ▷ Clear responsibilities and measurement to support self-management

Shire/Strecker 25 Nov 92



## Health Industries Business Unit Expected Outcome

### What is the payback/benefit to the company?

**Growth:** Health is one of only a few industries with a favorable outlook for sustainable worldwide long-term growth and an increasing urgency to automate.

**Profit:** Developing services industry models, using repeatable platforms, will contribute to Digital's profitability.

**Strategic Leverage:** Successful solutions for Health providers and payors can benefit Digital as a payor of employee healthcare. Health Industries market requires application of many Corporate Core Competencies.



## **Health Industries Business Unit Future Differentiators**

**Health Industries Customers will buy from Digital  
because we have:**

- A Vision and the people to deliver on it**
- The ability to build and lead complex alliances**
- Demonstrated successful global engagements/  
installations**
- The ability to “guarantee” the cost/benefit of our  
solutions**
- Excellent services**
- Supporting technology leadership**



**Territory Contracting  
Kick-off Meeting**

**Multivendor Customer Services**

***1 March 1993  
Presenter: John Rando***

# ***Multivendor Customer Services***

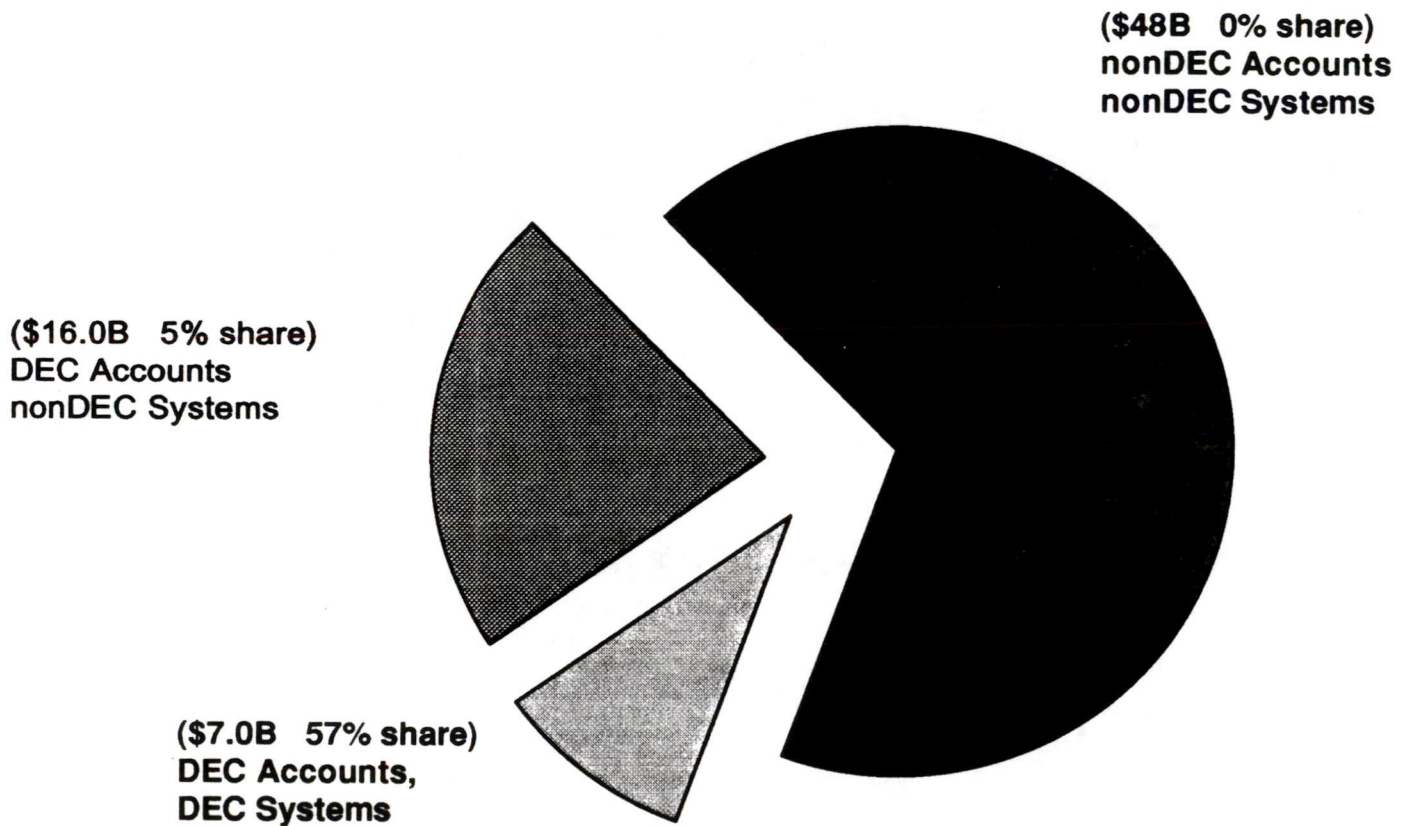
## **o Statement of Strategic Intent**

**We will extend our Digital product services competencies to cover a broad range of multivendor products and solutions driving to the lowest cost, highest quality, customer focused multivendor service capability in the industry.**

# Multivendor Customer Services

## o Market Opportunity - Size and Growth

- Service Expenditures, 1993 \$71B
- Growth 4-6%





# ***Multivendor Customer Services***

## **o Market Opportunity - *Customer Needs***

### **o Introduce new technology while protecting investment**

- **Single accountable support partner**

### **o Increasing end-user productivity**

- **Multivendor integration and support**

### **o Available and accessible information**

- **Telephone support, updates, helpdesk, license**

### **o Reduced IT costs**

- **Predictive, restoral and problem management**

# Multivendor Customer Services

## o Market Opportunity - *Growth Strategy & Competition*

Segment	Strategy	Competition
---------	----------	-------------

### DEC ACCOUNTS

DEC system

installed base  
selling

o Other System Vendors  
-HW/SW/Network

o TPM's  
-regionals  
-Bell Atlantic  
-Granada  
-IT

non DEC  
system

dedicated  
selling

o Product fulfillment  
channels

o Other System Vendors  
-HP  
-IBM  
-HW/SW

### NON-DEC ACCOUNTS

nonDEC  
system

agency  
relations

o Reseller Channels  
o Integrators  
o Industry niche vendors  
o Other System Vendors

# ***Multivendor Customer Services***

## **o Focus Areas - *What are we going to change?***

- **Selling Model**
  - \* **specialty selling**
  - \* **selling offbase**
  - \* **indirect channels**
- **Simplify Service Menu & Business Practices**
- **Common Transaction Systems Worldwide**
- **Emphasis on Service Marketing**
- **Move Technical Resources closer to Customer**
- **Continuous Improvement in Management Infrastructure**

# ***Multivendor Customer Services***

## **o Focus Areas - Major Offerings**

### **Technology Integration**

- LAN Design and Integration
- Multivendor Interoperability Evaluation

### **Installation & Startup**

- Client/Server Installation
- User/System Manager Orientation

### **Predictive & Remedial Restoral**

- Hardware Maintenance
- Software Support
- Spares Distribution and/or Repair

### **Usage & Productivity Support**

- User Advice
- System Manager Operation Support
- Asset Management (License Management)

### **Technical Support**

- Serviceability Consulting
- Software Developer Technical Support
- Multivendor Configuration Support

### **Software Licensing and Distribution**

- Software License Contract
- Media and Documentation Distribution
- Media Replication

# ***Multivendor Customer Services***

- o **Focus Areas** - *Investment/Maintenance/Disinvestment*

## **INVEST**

- o **Sales and Delivery Capabilities:**
  - **Multivendor**
  - **PC Integration**
  - **Agency and Alliance**
  - **Indirect Channels**
- o **Alpha, NT and UNIX**
- o **Advanced Electronic Services**
- o **Super Service Centers**

## **DISINVEST**

- o **Service Engineering**
- o **Mature products / end of service life**  
e.g. DL10, RA81
- o **Service Delivery tools for proprietary products**

# ***Multivendor Customer Services***

- o **Focus Areas** – *Where will we be number 1 or 2?*

## **Maintain #2 market share position**

- **Maintain #1 position in Software Services**
- **Capture PC Integration and Support:  
Top 5 and Advancing**
- **Aggressive growth in Multivendor Services**

# ***Multivendor Customer Services***

## **o Dependencies**

- **Willingness to change and re-engineer entire service value chain**
  - \* **specialty selling**
  - \* **materials acquisition, distribution, and repair**
  - \* **training and re-skilling**
  - \* **admin systems**
  
- **Winning outsourcing business**
  
- **Partnering with CBU's, CMP's, Professional Services for solution selling**
  
- **Executing off-base selling**

# **Multivendor Customer Services**

## **o Expected Outcome**

### **FY94 Performance**

**Growth 4-8%**

**Net Operating Revenue \$5.06-\$5.2b**

**Profit (C.M.)\* \$1.8b+**

**Cashflow \$1.5b+**

### **Leverage**

- Open new Accounts**
- Support Industry Solutions of CBU's**
- Value-added for DEC System Sales**
- Support Alpha as Industry Standard**

**\* Assumes current accounting practices i.e.  
no revenue transfers; warranty**





## BILATERAL EXCHANGES

### OUTPUTS

1. Personal contact established.
2. Key business opportunities and issues identified.
3. Process determined for getting to April 7 partnership agreement.

### PROCESS

1. There are nine time periods, each of 40 minutes. During each time period, there will be nine separate BU-Territory exchanges.
2. There are five minute intervals between time periods.
3. BU Managers are assigned to the rooms indicated at the top of your schedule (refer to the map for location of the rooms, all of which are together).
4. Territory Managers travel (not far) to meetings according to the schedule.
5. There will be some Territory managers free during each time period.
6. Managers are accountable for documenting the output of their exchanges. A suggested format is provided.
7. Disciplined time keeping will be essential to make the process work. Assistance will be provided. Listen for it.

WORLDWIDE BU-TERRITORY PARTNERING MEETING -- 1-3 MARCH 1993

**UNSCHEDULED BU-TERRITORY EXCHANGES**

- |     |  |   |  |
|-----|--|---|--|
| 1.  | LACR --<br>Richard Finn                          | Health<br>Discrete Mfg. and Defense<br>Storage<br>MCS                                     | Willow Shire<br>Frank McCabe<br>Charlie Christ<br>John Rando |
| 2.  | Canada --<br>Ken Copeland                        | Components and Peripherals<br>C.E.M.<br>Discrete Mfg. and Defense<br>Consumer and Process | Larry Cabrinety<br>Paul Koslowski<br><br>John Klein          |
| 3.  | Japan --<br>Ed Reilly                            | Consumer and Process<br>C.E.M.  |  |
| 4.  | Aisa --<br>Graham Long                           | Health<br>MCS   |  |
| 5.  | SPR --<br>Ron Larkin                             | MCS<br>Health   |  |
| 6.  | US --<br>Russ Gullotti                           | Consumer and Process<br>C.E.M.<br>Components and Peripherals<br>MCS                       |  |
| 7.  | Nordic --<br>Bo Dimert                           | Discrete Mfg. and Defense<br>Fin'l, Prof'l and Public<br>PCs                              | Bruce Ryan<br>Enrico Pesatori                                |
| 8.  | Benelux/ --<br>Switz.<br>Paul van der<br>Spiegel | Storage<br>C.E.M.<br>Consumer and Process<br>Fin'l, Prof'l, and Public                    |  |
| 9.  | Germany --<br>Hans Dirkmann                      | Components and Peripherals<br>Health  |  |
| 10. | France --<br>Michel<br>Ferreboeuf                | Discrete Mfg. and Defense<br>Components and Peripherals                                   |  |
| 11. | Terr. 2 --<br>Alberto Fresco                     | Storage<br>PCs<br>Fin'l, Prof'l and Public  |  |

12. Italy -- Storage  
Mario Bonzono PCs

13. UK -- Fin'l, Prof'l and Public  
Geoff Shingles PCs

BILATERAL EXCHANGE DOCUMENT

Territory \_\_\_\_\_ Business Unit \_\_\_\_\_

**PREPARATION**

1. Information to Communicate:
  2. Questions to Ask, Information to Get:
- 

**OUTPUT**

1. Major business opportunities:
2. Key business issues to address:
3. Process for reaching agreement by 7 April (What, When, Who, Where):

WORLDWIDE BU-TERRITORY PARTNERING MEETING -- 1-3 MARCH 1993

**WRAP UP SESSION**

Groups

<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>#4</u>
John Rando	Enrico Pesatori	Charlie Christ	Larry Cabrinety
Paul Koslowsky	Frank McCabe	Willow SHire	Bruce Ryan
Bo Dimert	Geoff Shingles	John Klein	Alberto Fresco
Paul van der Spiegel	Michel Ferreboeuf	Mario Bonzano	Hans Dirkman
Ron Larkin	Dick Finn	Ken Copeland	Ed Reilly
Russ Gullotti	Graham Long		

Task (40 Minutes)

Prepare a 10 minute presentation, using pre-formatted tranparencies, on:

1. The major business opportunitites;
2. The key business issues that have to be worked on, and;
3. The 3-4 best ideas for handling the process to arrive at Partnership Agreements by 7 April.

WRAP UP PRESENTATION

1. **Summary of Major business Opportunities**

2. **Summary of Key Business Issues to Work on:**



3. Best Ideas for Handling the Partnering Process:

a)

b)

c)

d)

**SHERATON TARA HOTEL**  
Tara Boulevard  
Nashua, New Hampshire 03062  
Telephone # 603-888-9970

**Logistics**

Longford Room will have the following:

- Message Center
- PC/Printer
- Terminal/modem connection
- FAX machine
- Copier

**Meeting Rooms**

The following four rooms are available for meetings during the Worldwide Partnering Meeting:

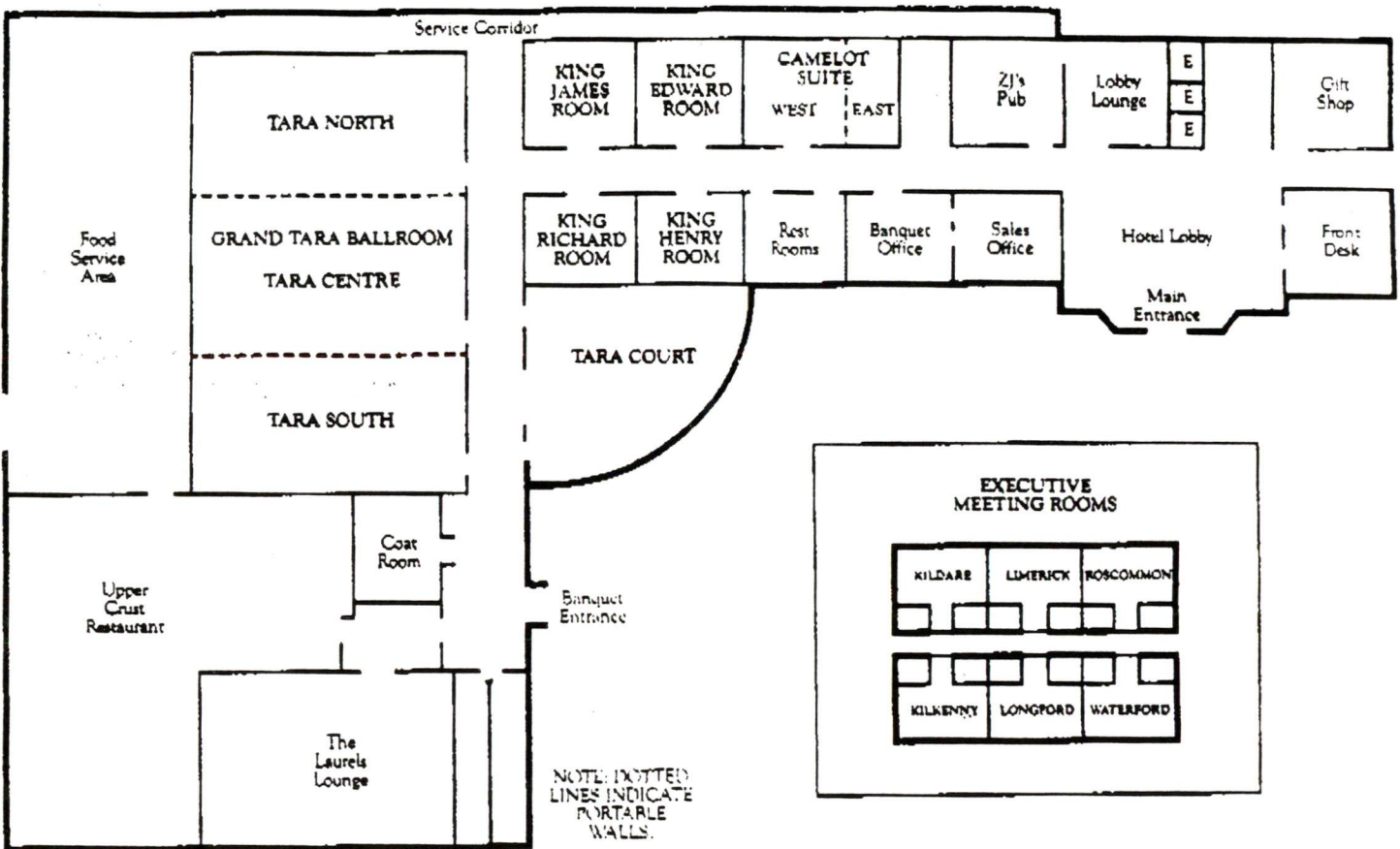
- King Edward
- King Richard
- Roscommon
- Tara North

Please schedule meetings with the Longford Room staff.

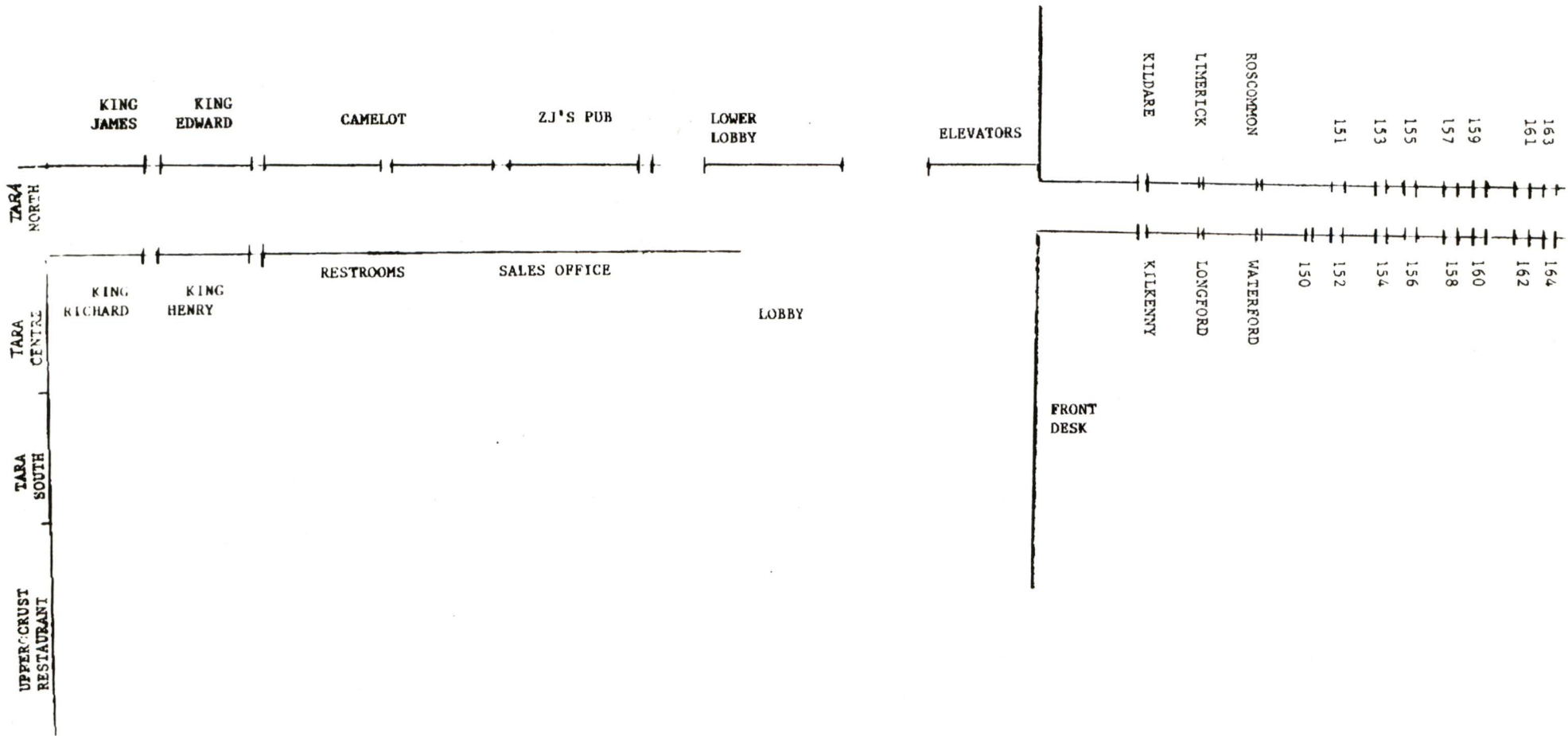
**Meals**

The back of the Upper Crust Restaurant has been reserved for all meals provided during the Worldwide Partnering Meeting.

WORLDWIDE PARTNERING MEETING  
 BREAKOUT ROOMS/FLOOR PLAN



SHERATON TARA NASHUA  
FIRST FLOOR



*Digital Austria*

THE  
AUSTRIAN  
SELLING  
MODEL

HANS D. JARNIK

08/12/1992

COUNTRY MANAGER &  
IBU DIRECTOR EUROPE - MACHINERY INDUSTRY

■■■■■■■■

# Digital - The Formidable Management Opportunities

CUSTOMERS

— APPRECIATE DIGITAL'S INDUSTRY ORIENTATION  
BUT  
NEED ADVISE & SOLUTIONS !!!

CUSTOMERS

DIGITAL

— BEST STRATEGIES IN THE IT INDUSTRY  
(i.e.: Technology, Products, Services, Solutions, Partners)  
BUT  
WILL DIGITAL'S SALES FORCE BE ABLE TO  
CONVEY AND TO DELIVER ???

GARTNER GROUP

SALES FORCE

— WE ARE ALL SUPPOSED TO BE  
"LEONARDO DA VINCIS"  
DIGITAL'S OFFERING PORTFOLIO IS TOO COMPLEX  
TO BE COMPREHENDED BY ANY ONE INDIVIDUAL

SALESMEN

**digital**

# Digital - The Formidable Management Opportunities

## ANSWER: FOCUS & SPECIALISATION

		FOCUS & SPECIALISATION	
P O R T F O L I O	COMMODITY (VOLUME OPP.)	DECdirect ✓	
	TECHNOLOGY	PSS ✓	
	SOLUTIONS	ACCT.MGRS. + ENDUSER SALES + PARTNERS + CSO SALESFORCE + .....	THE KEY PROBLEM !!!
	SYSTEMS INTEGRATION		

# Austrian Selling Model - THE PRINCIPLES

FUNCTIONAL RESPONSIBILITIES

S  
E  
R  
V  
I  
C  
E  
S

ENTREPRENEURS

SALES

ACCOUNT MANAGERS

CERTS '93  
140 M\$

93 CERTS M\$

SOLUTIONS / SERVICES/  
DISTRIBUTION CENTERS

'93 CERTS M\$

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OFFICE AUTOMATION	15
COMMERCIAL SYST.	16
CIM	
HEALTHCARE	10
FINANCIAL SERVICES	33
CASE SOLUTIONS	1
BUS. & MGMT. CONS.	1
LEARNING SERVICES	4
NETW. & TECHN. SERV.	1
BUILDING INTEGRATION	5
OPERATION SUPPORT	2
PRODUCT SERVICES	
PSS	38
DECdirect	9
CSO (TOEM)	5

INDUSTRY SEGMENTS



FOCUS: \* TOP500 COMPANIES &  
ORGANISATIONS  
\* REST THRU DEE

SELLING  
RESOURCES

SOLUTIONS  
ORIENTATION

(TOTAL VALUE  
CHAIN CONCEPT)

SELLING &  
SERVICES  
RESOURCES

SERVICES  
ORIENTATION

(TOTAL VALUE  
CHAIN CONCEPT)

SELLING &  
SERVICES  
RESOURCES

DISTRIBUTION  
ORIENTATION

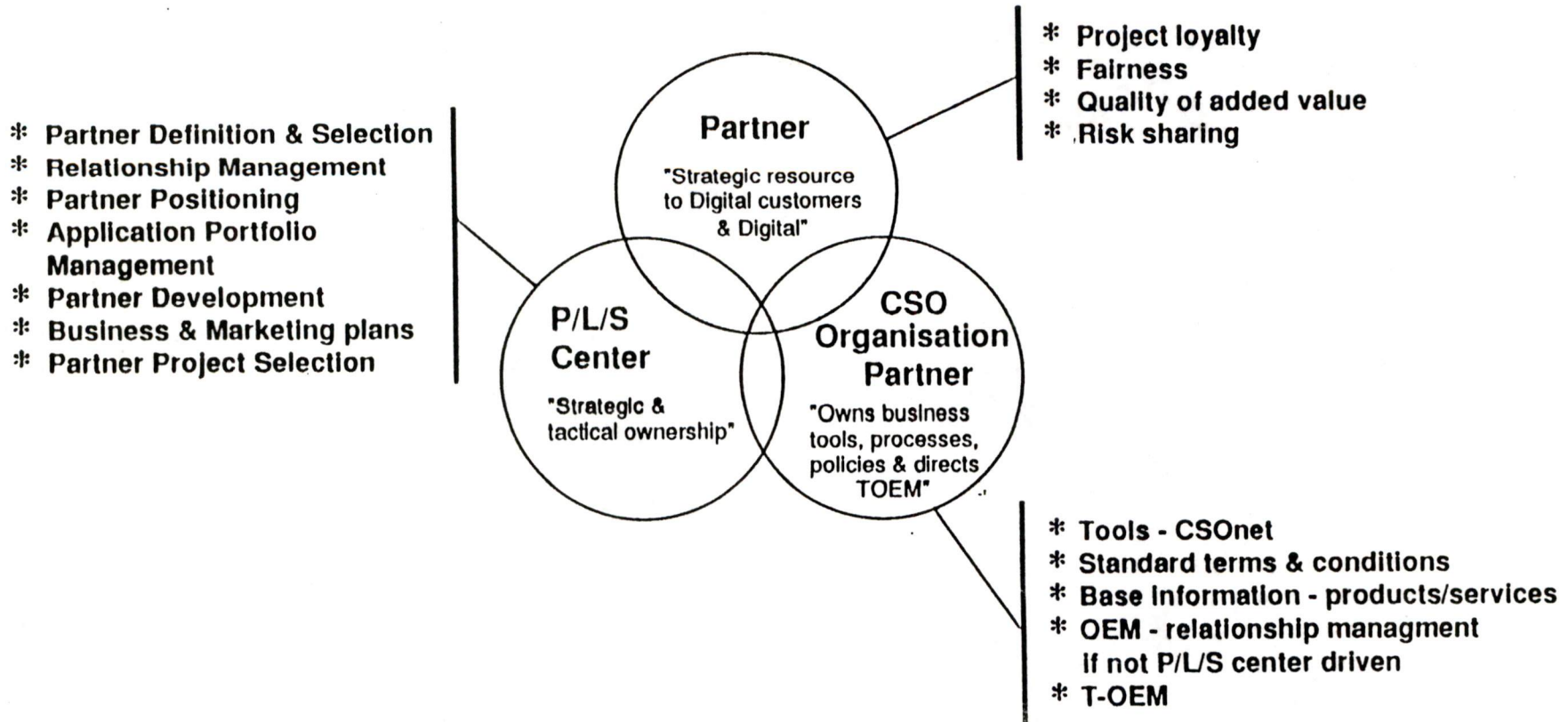
(TOTAL VALUE  
CHAIN CONCEPT)  
SELLING  
RESOURCES

digital



# The Future Selling Model

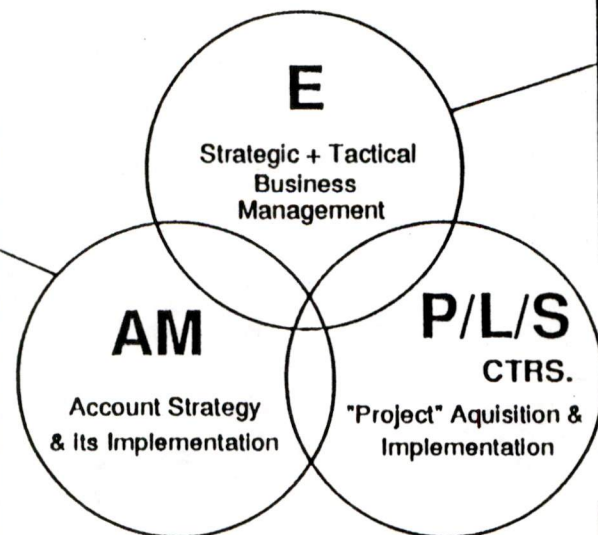
## "Partner Relationship Management"



# The Future Selling Model

## "Ownership on behalf of Digital"

- \* Manages acct. relationship
- \* Positions Digital as "The #1 strategic IS/IT partner - products - services"
- \* Strategic account planning
- \* Account plan execution & monitoring
- \* Lead generation & qualification
- \* Business planning & forecasting
- \* Grows Acct. marketshare
- \* Negotiates DBA + MDBA
- \* Realizes business thru most appropri. channel/center - internally or externally -

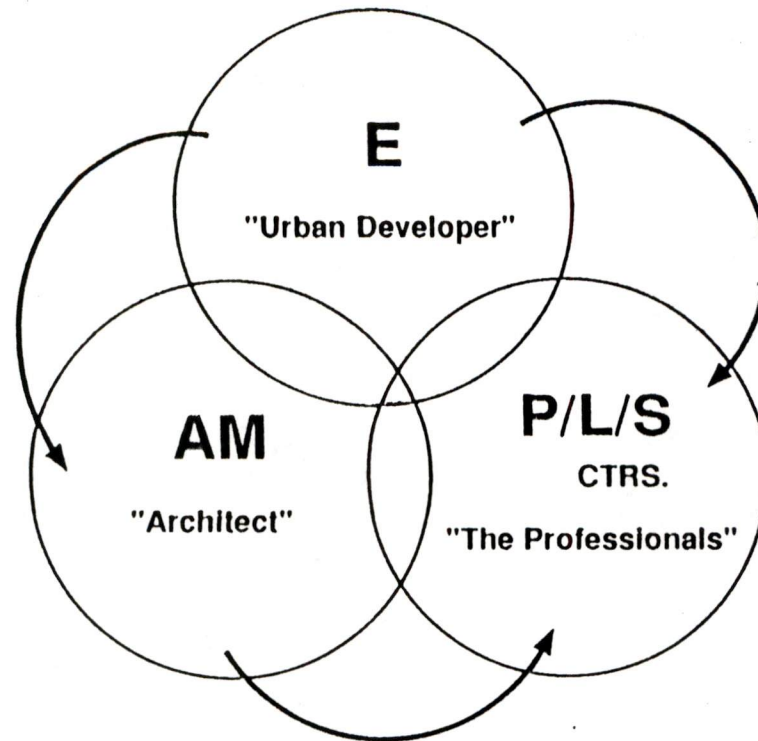


- \* Grow industry/segment marketshare profitably
- \* Grow revenue > 50 % than competition
- \* Strategic partnerships/alliances with partners/customers/competitors
- \* P & L responsibility
- \* Operates at lowest fix costs by utilizing "variable costs" concept
- \* Adds value to customer relationship on none I.T. issues

- \* "Tactical" project driven
- \* Leads follow thru & get the business
- \* Highly specialised/focused competence chain -> Selling/Mktg/Consultancy/ Implementation & Maintenance PDIM
- \* Delivers to specs & agreed costs
- \* Best in class
- \* Market share by "subject charter"
- \* Manages "strategic" partner/ application portfolio

# The Future Selling Model

## Analogy - Digital/Construction Business



## Austrian Selling Model - WHAT TO WATCH OUT FOR

- CHANGE MANAGEMENT PROCESS -

EVOLVE GENERALIST SALES/PRESALES RESOURCE TO  
FOCUSED NICHE EXCELLENCE CONSULTANTS

- BUSINESS PROCESS - RE ENGINEERING

ESTABLISH COMPLETE VALUE CHAIN

THE NEXT STEPS:

ACCOUNT MANAGERS + ENTREPRENEURS EVOLVE  
TO CONSULTANTS:

THEY ADD VALUE WHICH CUSTOMERS ARE DELIGHTED  
TO PAY FOR

AGAIN SELLING EXPENSES ---> COST OF SALES

## Austrian Selling Model - AND ACHIEVES MOREOVER

- ENTREPRENEURS & ACCOUNT MANAGERS OPERATE AT LOWEST FIXED COSTS LEVELS. SERVICES/SUPPORT ARE ON VARIABLE COST BASIS.
- FOCUS IS ON DEEPEST PENETRATION OF TOP 500 COMPANIES/ ORGANISATIONS ---> REST IS DEE.
- STRATEGIC CSO PARTNERS ARE MANAGED BY APPROPRIATE DIGITAL SOLUTION/SERVICES CENTER. PARTNER MATCH & ASSIGNMENT IS BASED ON SKILLS/APPLICATION FIT.
- SELLING EXPENSES OF SALES/PRESALES FORCE EVOLVES TO COST OF SALES.

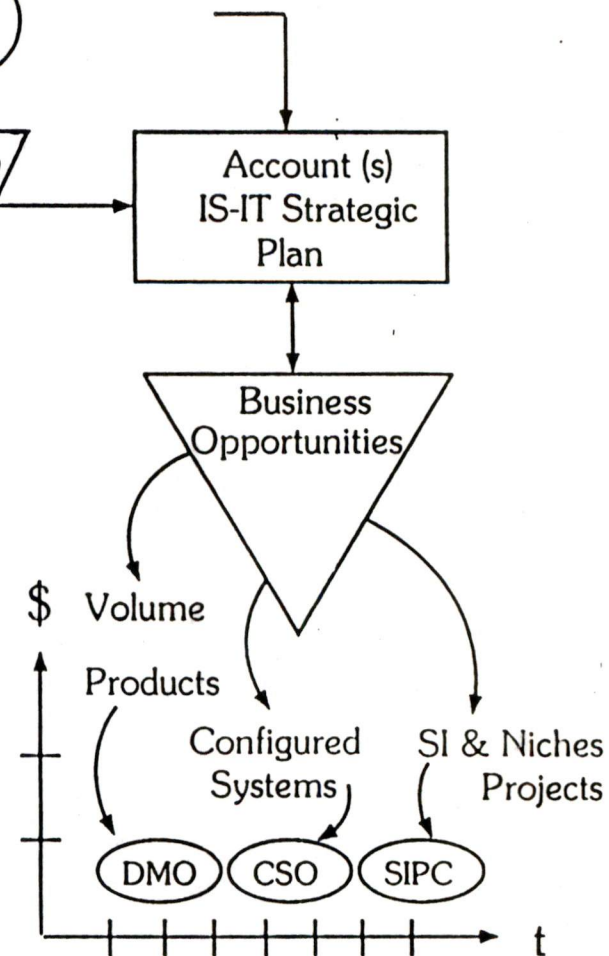
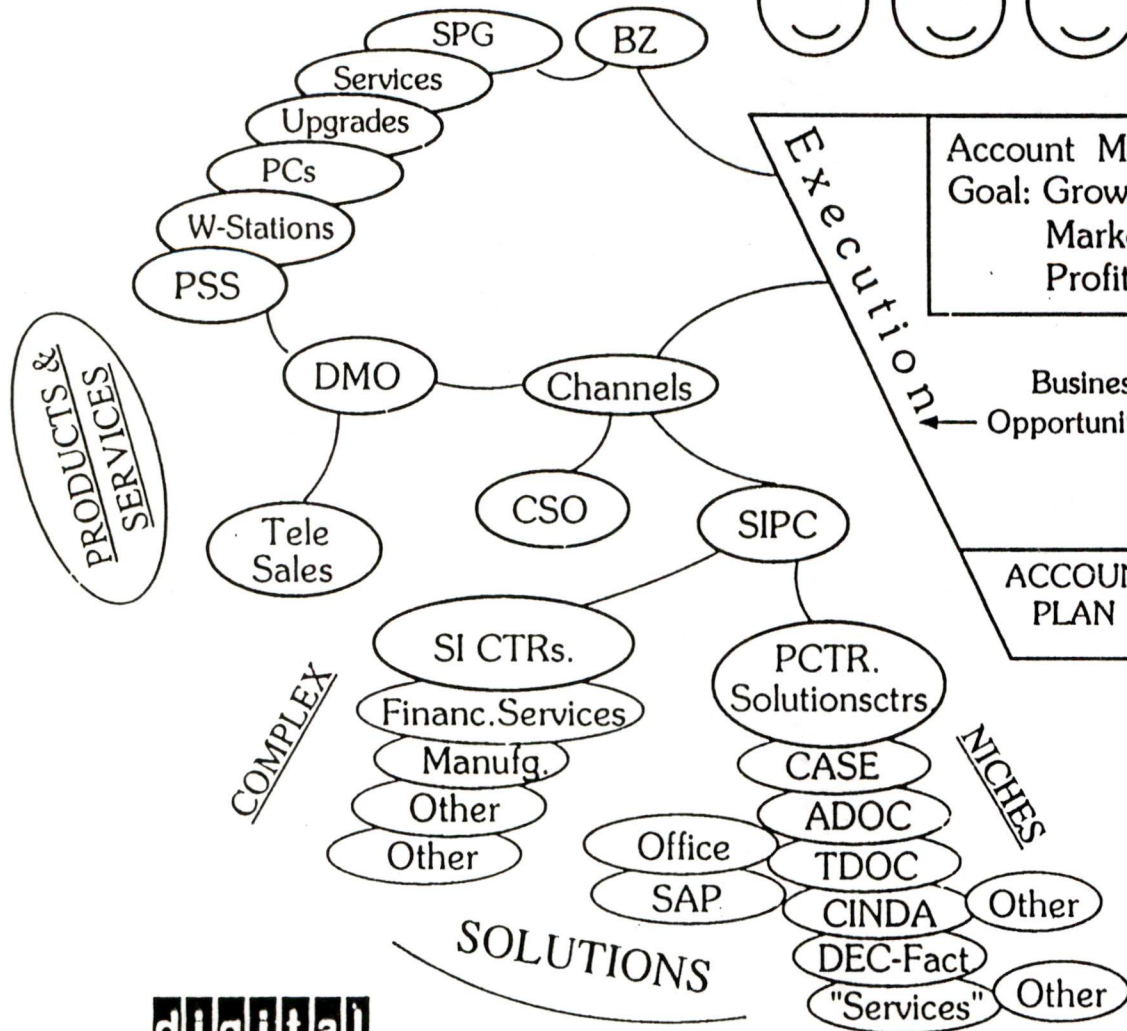
## Austrian Selling Model - CATERS FOR

- STRATEGIC ACCOUNT MANAGEMENT ELEVATES BUYER/SUPPLIER TO STRATEGIC BUSINESS PARTNER RELATIONSHIP
- POSITIONS DIGITAL AS #1/#2 IS/IT STRATEGIC PARTNER OF OUR CLIENTEL
- DEDICATES SALES & SERVICES RESOURCES TO SPECIFIC "SOLUTION/SERVICES" REQUIREMENTS OF CUSTOMERS
- SPECIALISATION OF RESOURCES LEADS TO COMPETENCE BUILD UP & CRITICAL MASS EVEN WITHIN SMALL TEAMS
- THE "SYSTEMS HOUSE" APPROACH WITH NICHE CHARACTER ACHIEVES - BEST IN CLASS - AT >15% PRE TAX PROFIT
- PROVIDES A MOTIVATING ENVIRONMENT FOR ALL INVOLVED IN OPERATING A "COMPLETE VALUE CHAIN CONCEPT" - BY ASSIGNED SOLUTION/SERVICES BUSINESS CHARTER
- CREATES ENTREPRENEURIAL SPIRIT & PROVIDES FOR EASE OF DOING BUSINESS & FOCUSED BUSINESS MANAGEMENT

# Implementierung "Future Selling Model"

## Selling Model - Future

CUSTOMERS/ACCOUNT (S)



ES DEZ '91

**digital**

# The "Best in Class" - Austrian Selling Model i.e. Solution/Services Center - Value Chain

- Key Goals:**
- ✗ Evolve & keep business positioned as "Best in Class"
  - ✗ Profitable market share growth = >50% above market
  - ✗ Operate business - charter related - within the context of a complete value chain

