
FY94/95 Business Planning

**Senior Leadership Team
Business Unit Plan Review**

Russ Gullotti

**Business Planning Team
April 28th-30th, 1993**

Digital Confidential

FY94/95 Business Planning

Senior Leadership Team Business Unit Plan Review

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- 7.0 Health Industries**
- 8.0 Discrete Manufacturing and Defense**
- 9.0 Communications, Education and Media**
- 10.0 Consumer and Process Manufacturing**

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AGENDA - DAY 1
WEDNESDAY, APRIL 28, 1993

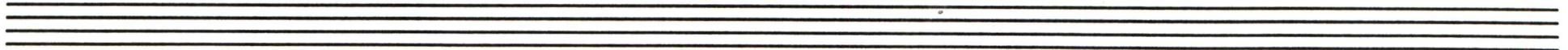
<u>TIME</u>	<u>SUBJECT</u>	<u>PRESENTER</u>
12:00 NOON	CBU & AREA MANAGERS MEETING	CBU & AREA MGRS. ONLY
1:00 P.M.	LUNCH	
2:00	WOODS INTRODUCTION: PURPOSE, EXPECTATIONS	BOB PALMER
2:30	BUSINESS PLAN AND P&L OVERVIEW	HENRY ANCONA
3:15	PC BUSINESS UNIT PLAN	ENRICO PESATORI
4:45	BREAK	
5:00	STORAGE BUSINESS UNIT PLAN	CHARLIE CHRIST
6:00	WRAP UP	ALL

AGENDA - DAY 2
THURSDAY, APRIL 29, 1993

<u>TIME</u>	<u>SUBJECT</u>	<u>PRESENTER</u>
8:30 A.M.	INTRODUCTION AND CHECK-IN	HENRY ANCONA
8:45	COMPONENTS AND PERIPHERALS	LARRY CABRINETY
9:45	MULTI-VENDOR CUSTOMER SERVICES	JOHN RANDO
10:45	BREAK	
11:15	DISCUSSION OF PBU/MCS PLANS: KEY ISSUES ACTIONS	ALL
12:15 P.M.	LUNCH	
1:00	FINANCE, PROFESSIONAL , AND PUBLIC	BRUCE RYAN
2:15	HEALTH INDUSTRIES	WILLOW SHIRE
3:30	BREAK	
4:00	DISCRETE MANUFACTURING AND DEFENSE	FRANK MCCABE
5:15	WRAP-UP	HENRY ANCONA

AGENDA - DAY 3
FRIDAY, APRIL 30, 1993

<u>TIME</u>	<u>SUBJECT</u>	<u>PRESENTER</u>
8:30 A.M.	INTRODUCTION AND CHECK-IN	HENRY ANCONA
8:45	COMMUNICATIONS, EDUCATION AND MEDIA	PAUL KOZLOWSKI
10:00	CONSUMER AND PROCESS MANUFACTURING	JOHN KLEIN
11:15	BREAK	
11:45	AREA FEEDBACK	AREA MANAGERS
12:45	LUNCH	
1:30	DISCUSSION OF CBU PLANS: KEY ISSUES, RISKS AND OPPORTUNITIES, HOW TO SUPPORT AND STRENGTHEN PLANS	ALL
3:15	WOODS COMMUNICATIONS AND WRAP UP	
3:45	CLOSURE	





FY94/95 Business Planning

Business Unit Review
SLT Woods, April 28-30th, 1993

Henry Ancona
Business Planning Team

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FY94/95 Business Planning SLT Business Unit Plan Review

. Meeting

- goals
- expectations

. Planning Process Update

- overview
- progress to date

. Business Plan Review

- plan integration
- financial summary
- risks and opportunities
- issues, actions and next steps

. Questions to keep in mind

FY94/95 Business Planning SLT Business Unit Plan Review

Objective

**Develop an integrated, profitable, realistic
and implementable FY94/95 Corporate
Business Plan by Business Unit**

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Goals

Develop Profitable FY94/95 Business Plan:

- by nine Business Units and thirteen Territories
- showing increased customer focus
- showing improved profitability/growth by market segment
- addressing most significant cost problem: SG&A

Ensure Organizational Accountability:

- integrate Business Unit plans with functional and territory plans
- ensure that plans are implementable **and** implemented

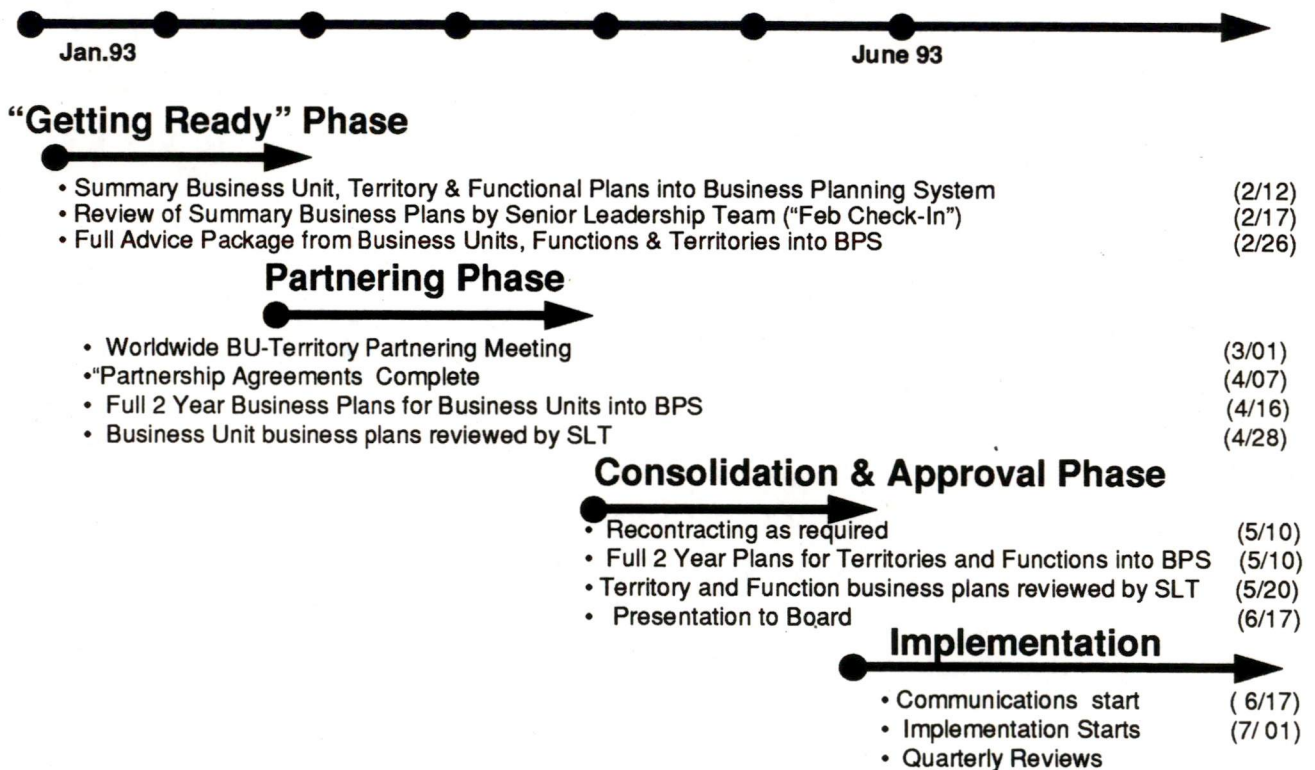
Implement New Business Model:

- complete account planning and mapping
- utilize phased planning process
- ensure control during transformation to new organization
- develop plan while delivering Q4 results

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Business Planning Phases

DIGITAL BUSINESS PLANNING PROCESS



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Progress to Date

- Good progress so far: we are creating a new process for Digital
- Business Planning Team showing significant spirit of cooperation between different parts of Digital
- Businesses are making progress in several areas:
 - market focus
 - customer environment and requirements
 - defining goals
- Considerable work remains before June 17th BOD meeting - and before June 1994

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- Meeting
 - goals
 - expectations

- Planning Process Update
 - overview
 - progress to date

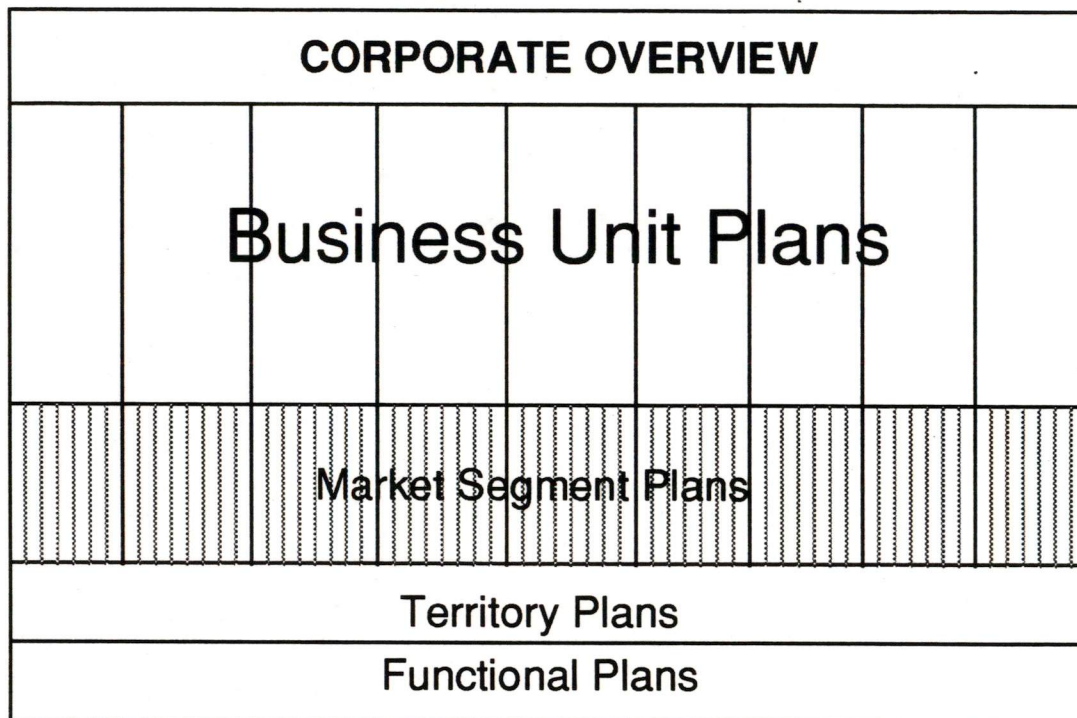
- Business Plan Review

 - plan integration
 - financial summary
 - risks and opportunities
 - issues, actions and next steps

- Questions to keep in mind

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Plan Integration



- P&L responsibility exists only in Business Units
- Corporate business plan is the sum of the Business Unit plans (plus Corporate adjustments)
- All Territory and Functional plans implement formal agreements with Business Units

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Measurements

Business Unit Measurement:

- FY94 emphasis
 - improve operating profit
 - maintain market share
- FY95 goals
 - achieve operating profit
 - grow market share
 - manage assets

Territory Measurement:

- Implementation of Partnership Agreement with each Business Unit
 - Net Operating Revenue
 - Gross margin
 - Expenses
- Customer satisfaction jointly with Business Unit

FY94/95 Business Planning

SLT Business Unit Plan Review

FY94 TOTAL COMPANY VIEW

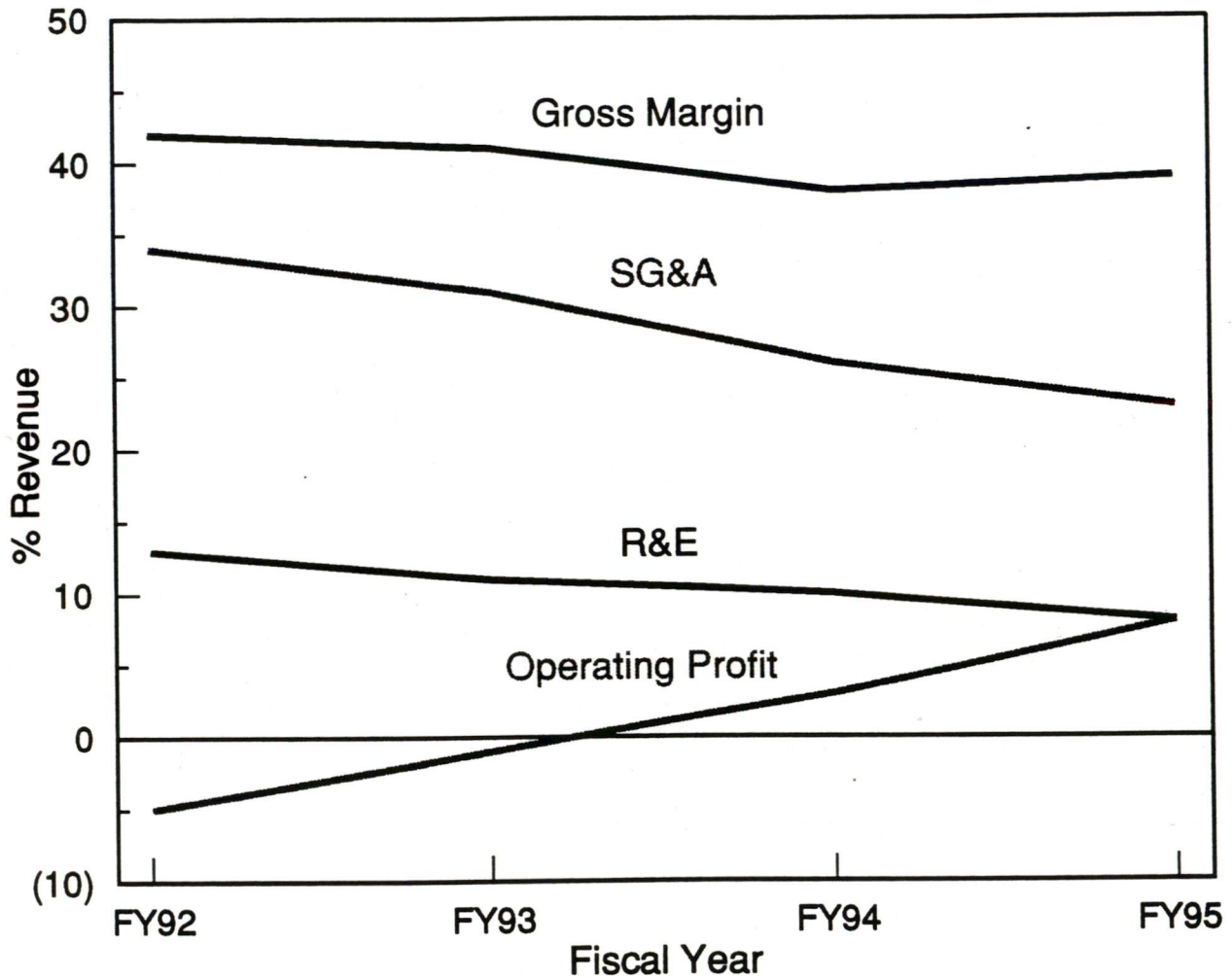
* EXCLUDES IBP/INCLUDES PL10

\$M	FY94 SLT PROFORMA	FY94 P&L ADJ*	FAV/(UNFAV) DELTA	
			<u>\$M</u>	<u>%</u>
NOR				
TOTAL	15,751	15,530	(221)	(1)
COGS				
TOTAL	9,451	9,616	(165)	(2)
Gross Margin				
TOTAL	6,300	5,915	(385)	(6.2)
Gross Margin %				
TOTAL	40%	38%	-----	(2)
R&E	1,528	1,484	44	3
SG&A	3,906	4,031	(125)	(3)
Oper. Profit	866	400	(466)	(54)
Oper %	5%	3%	-----	(2)

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April 28, 93

**FY94/95 Business Planning
SLT Business Unit Plan Review
FY92 - FY94 % Revenue***



* Excludes Restructuring and one-time adjustments

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**FY94/95 BUSINESS PLANNING
SLT BUSINESS UNIT PLAN REVIEW
TOTAL COMPANY VIEW**

FY94/95 EXCLUDES IBP/ INCLUDES PL10

	FY92 ACT	FY93 MARCH FCST	FY94 P&L ADJ	FY95 P&L ADJ
\$M				
NOR	13,931	14,425	15,530	18,155
GROSS MARGIN	5,814	5,863	5,915	6,993
R&E	1,754	1,529	1,484	1,406
SG&A	4,695	4,505	4,031	4,089
OPER. PROFIT	(635)	(171)	400	1,498
% NOR				
GROSS MARGIN	42%	41%	38%	39%
R&E	13%	11%	10%	8%
SG&A	34%	31%	26%	23%
OPER. PROFIT	-5%	-1%	3%	8%

**FY94/95 BUSINESS PLANNING
SLT BUSINESS UNIT PLAN REVIEW
TOTAL COMPANY VIEW**

EXCLUDES IBP/INCLUDES PL10

\$M	FY92 ACTUALS	FY93 MARCH FCST	Y/Y % GRTH 93F/92A	FY94 P&L ADJ	Y/Y % GRTH 94/93
NOR					
PRODUCT	7,699	7,638	-1%	8,798	15%
SERVICE	6,232	6,787	9%	6,732	-1%
TOTAL	13,931	14,425	4%	15,530	8%
COGS					
PRODUCT	4,237	4,408	4%	5,647	28%
SERVICE	3,880	4,154	7%	3,968	-4%
TOTAL	8,117	8,562	5%	9,616	12%
GR MGN					
PRODUCT	3,462	3,230	-7%	3,150	-2%
SERVICE	2,352	2,633	12%	2,764	5%
TOTAL	5,814	5,863	1%	5,915	1%
GR MGN %					
PRODUCT	45%	42%	-6%	36%	-15%
SERVICE	38%	39%	3%	41%	6%
TOTAL	42%	41%	-3%	38%	-6%
R&E	1,754	1,529	-13%	1,484	-3%
SG&A	4,695	4,505	-4%	4,031	-11%
OP	(635)	(171)	-73%	400	-333%
OP %	-5%	-1%	-74%	3%	-317%

IBP NOT INCLUDED ABOVE

NOR	0	0		1400
COGS	0	0		1400

**FY94/95 BUSINESS PLANNING
SLT BUSINESS UNIT PLAN REVIEW
FY93/94 TOTAL COMPANY VIEW**

EXCLUDES IBP

\$M	PROD		GRTH	SERV		GRTH
	FY93	FY94	94/93	FY93	FY94	94/93
CEM (KOZLOWSKI)	1,053	1,104	5%	384	434	13%
CPM (KLEIN)	1,054	1,032	-2%	395	460	16%
DMD (MCCABE)	1,321	1,340	1%	370	405	9%
FPP (RYAN)	1,730	1,785	3%	488	596	22%
HCI (SHIRE)	474	509	7%	118	137	16%
PCS (PESATORI)	505	1,383	174%	0	0	
STG (CHRIST)	379	788	108%	0	0	
C&P (CABRINETY)	734	856	17%	0	0	
MCS (RANDO)	0	0		4,741	4,700	-1%
BU TOTAL	7,250	8,798	21%	6,497	6,732	4%
	(1)	(2)		(1)	(2)	
COMPANY	7,638	8,798	15%	6,787	6,732	-1%
DELTA	(388)	0	-----	(291)	0	-----

(1) MARCH FORECAST FOR TOTAL COMPANY

(2) BUSINESS UNIT PLAN

FY94/95 Business Planning

SLT Business Unit Plan Review

FY94 Business Unit P&L's vs. Partnership Agreements

EXCLUDES IBP/INCLUDES PL10

\$M	Business Unit P&L	Partnership Agreements/ Functional Input	FAV/(UNFAV) DELTA
NOR			
- Product	8,798	8,372	426
- Service	6,732	6,670	62
Total	15,530	15,042	488
Gross Margin \$	5,915	6,026	(111)
% NOR	38%	40%	(2%)
R&E \$	1,484	1,350	(134)
% NOR	10%	9%	(1%)
SG&A \$	4,031	4,190	159
% NOR	26%	28%	2%
Oper Profit \$	400	486	(86)
% NOR	3%	3%	-----

Henry Ancona
April 28, 93

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**FY94/95 BUSINESS PLANNING
SLT BUSINESS UNIT PLAN REVIEW
BU'S VS TERRITORIES NOR COMPARISON**

\$M	FY94 BU'S	FY94 CONTRACT (2)	FY94 DELTA
NOR:			
CEM (KOZLOWSKI)	1,538	1,445	93
CPM (KLEIN)	1,492	1,840	(348)
DMD (MCCABE)	1,745	1,891	(146)
FPS (RYAN)	2,382	2,374	8
HCI (SHIRE)	646	764	(118)
TOTAL CBU	7,803	8,314	(511)
PCS (PESATORI)	1,383 (3)	705	678
STG (CHRIST)	788	600	188
C&P (CABRINETY)	856	817	39
TOTAL PBU	3,027	2,122	905
MCS (RANDO)	4,700	4,606	94
TOTAL	15,530	15,042	488

1.) BUSINESS UNIT "SHORT FORM" P&L'S OF APRIL 16' 93 EXCLUDES IBP NOR.
- 2.) SOURCE OF CONTRACTS IS BPS AS OF APRIL 7 (REPORT DATE APRIL 16' 93).
- 3.) PC'S INCLUDES 800 SOFTWARE AND ALPHA PC'S.

(UNFAVORABLE DELTA= BU SHORT FORM SUBMISSION IS LOWER THAN THE CONTRACTED AMOUNT).'

**FY94/95 BUSINESS PLANNING
SLT BUSINESS UNIT PLAN REVIEW**

BU'S VS TERRITORIES - SG&A COMPARISON

\$M	FY94 BU'S	FY94 P/A *	FY94 DELTA
SG&A EXP:			
CEM (KOZLOWSKI)	508	467	(41)
CPM (KLEIN)	507	599	92
DMD (MCCABE)	558	667	109
FPS (RYAN)	883	784	(99)
HCI (SHIRE)	230	248	18
TOTAL CBU	2,686	2,765	79
PCS (PESATORI)	336	159	(177)
STG (CHRIST)	40	24	(16)
C&P (CABRINETY)	294	165	(129)
TOTAL PBU	670	348	(322)
MCS (RANDO)	575	597	22
CORP MKTG/ADJ **	100	480 **	380
TOTAL	4,031	4,190	159
SG&A % OF NOR	26%	28%	2%

*TERRITORIES INPUT (3,110) PER CONTRACTS 4/7/93
FUNCTIONAL ADVICE PKG. (980) BUF ADVISORY
(3/26/93 - 4/6/93).

**CORP MKTG ADVICE PKG. BUF MTG. 4/6/93 / CORP. ADJUSTMENT.

FORM E
TOTAL COMPANY
TERRITORY SELLING, PS, MARKETING AND OTHER TERRITORY EXPENSES

	Q4FY93	FY93	Q1FY94	FY94	FY95
SELLING:					
CBU/PBU (From Form S) or MCS (From Form S-MCS)	311.8	1282.9	293.5	1255.4	1195.3
	59.0	233.2	59.3	240.1	236.7
Professional Svcs. (From Form P) Marketing (From Form M)	27.1	94.6	31.3	106.6	112.0
	46.6	205.6	49.4	235.5	242.6
OTHER TERRITORY EXPENSES:					
Business Unit Other	113.4	445.9	97.2	421.1	400.4
Expenses in Other Territories	0.0	0.0	0.0	0.0	0.0
Area Expenses Funded by Territory	139.4	582.4	127.0	579.6	554.8
G&A for Territory	162.9	677.4	108.3	531.6	586.4
Total Territory Expense	860.3	3522.0	765.9	3369.9	3328.2

**FY94/95 BUSINESS PLANNING
SLT BUSINESS UNIT PLAN REVIEW**

BU'S VS TERRITORIES - R&E COMPARISON

\$M	FY94 BU'S	FY94 P/A *	FY94 DELTA
R&E EXP:			
CEM (KOSZLOWSKI)	168	158	(10)
CPM (KLEIN)	197	165	(32)
DMD (MCCABE)	279	210	(69)
FPS (RYAN)	237	254	17
HCI (SHIRE)	71	76	5
TOTAL CBU	952	863	(89)
PCS (PESATORI)	78	19	(59)
STG (CHRIST)	145	141	(4)
C&P (CABRINETY)	109	37	(72)
TOTAL PBU	332	197	(135)
MCS (RANDO)	200	174	(26)
SCO (CALDWELL)	0	116	116
TOTAL	1,484	1,350	(134)
R&E % OF NOR	10%	9%	1%

* BASED UPON BUF ADVISORY - 4/6/93

FY94/95 Business Planning

SLT Business Unit Plan Review

Issues/Actions

- **SG&A**

- FY94 SG&A % NOR Is 26.0% (vs. FY93 March Forecast: 31.2%)
- Business Units to show programs/actions to achieve this five-point improvement

- **Marketing**

- Marketing spending shows growth
- Business Units/Territories to examine

- **Supply Chain**

- Business Units/Supply Chain to analyze COGS to identify.
 - Margin/MCV opportunities (\$200 - \$300M)
 - Purchasing cost reductions

- **R&E**

- FY94 Business Unit P&L's show \$1484M vs. Functional plan of \$1350M (Delta \$134M ?)
- Engineering to verify and eliminate gaps with Business Units

- **PS/SI**

- PS/SI Gross Margins at 22% are significantly lower than overall CBU Product Gross Margins at 40%

FY94/95 Business Planning

SLT Business Unit Plan Review

CBU MIX ANALYSIS

<u>\$M</u>	<u>FY93</u>	<u>FY94</u>
<u>PS/SI</u>		
NOR	1756	2032
Gross Margin	292	439
Gross Margin %	17%	22%
 <u>Product</u>		
NOR	5632	5771
Gross Margin	2268	2328
Gross Margin %	40%	40%
 <u>Total CBU</u>		
NOR	7388	7803
Gross Margin	2560	2767
Gross Margin %	35%	36%

- o PS/SI gross margins are significantly lower than CBU product gross margins
- o Overall CBU SG&A costs are 34% of CBU NOR
- o Need to examine PS/SI cost of service delivery and pricing issues

FY94/95 Business Planning SLT Business Unit Plan Review

Risks & Opportunities

- Product NOR shows aggressive growth in PC's & Storage
- Plans are at prevailing exchange rates
 - adjustment may be needed in July
- Digital Equipment Europe (DEE) Integration
 - Territories
 - Supply Chain
 - Engineering
- PL10 Plan is restricted to manufacturing and Corporate adjustments

FY94/95 Business Planning SLT Business Unit Plan Review

Next Steps

- Business Units should continue to work to close gaps
- Operating Plans from all Territories, Worldwide Engineering and Worldwide Supply Chain, plus expense budgets from other functions, due May 10th
- SLT Woods on May 20th/21st to
 - review some Territory plans
 - review Engineering and Supply Chain plans
 - provide final approval (subject to any required adjustments) to Business Unit Plans
- Partnership Agreements, reflecting changes agreed to at SLT review, must be closed by May 28th
- Final plans and budgets, reflecting all agreements, due into BPS on June 4th
- Review of other functions (worldwide) will occur in June

FY94/95 Business Planning SLT Business Unit Plan Review

- Meeting
 - goals
 - expectations
- Planning Process Update
 - overview
 - progress to date
- Business Plan Review
 - plan integration
 - financial summary
 - risks and opportunities
 - issues, actions and next steps

• Questions to keep in mind

FY94/95 Business Planning SLT Business Unit Plan Review

Questions to Keep in Mind

- **Are we customer focused?**
 - customer-focused **goals**: the customer problems we are trying to solve
 - supporting Digital-focused **actions**: will happen to make the goal a reality
 - **outcomes** which are both customer and Digital-focused in terms of:
 - solving the customer problem
 - Digital profitability

- **Are we making choices?**
 - market segment, geography, etc.
 - disinvesting in other areas
 - capitalizing on strengths, not compensating for weaknesses

FY94/95 Business Planning SLT Business Unit Plan Review

Questions to Keep in Mind

- **Are there clear actions to support the goals?**
 - reskilling programs
 - alternative channel development
 - channel management
 - developing 'repeatable' solutions

- **Is our road to profitability believable? Are actions to close gaps clear?**
 - revenue growth
 - margins
 - SG&A improvements

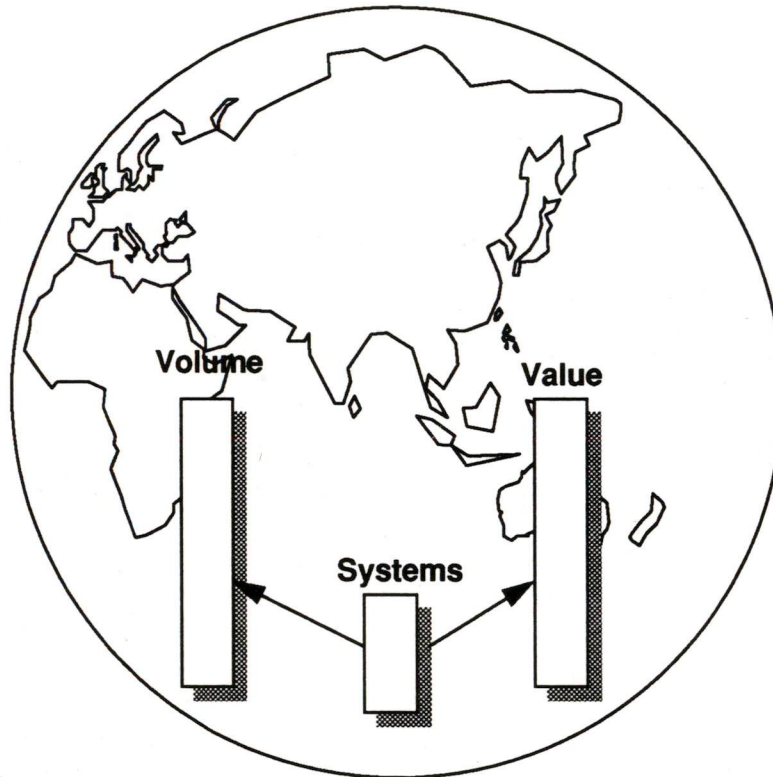
- **What happens if things go wrong?**
 - contingency plans
 - trigger points

**FY94/95 Business Planning
Business Unit Review
SLT Woods, April 28-30th, 1993**

Background

FY94/95 Business Planning SLT Business Unit Plan Review

Changing World



- Market splitting between customers for:
 - volume-driven commodities
 - value-driven solutions
- Business Unit organization designed to focus on satisfying customer needs while recognizing different buying patterns

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Business Units

Customer Business Units

Five of nine business units defined by clusters of industries:

- Communication, Education and Media
- Consumer and Process Manufacturing
- Discrete Manufacturing and Defense
- Financial, Professional and Public Services
- Health Industries

Product and Service Business Units

Four business units are defined by the nature of their products and services:

- Components and Peripherals
- Multivendor Customer Services
- Personal Computers
- Storage

FY94/95 Business Planning SLT Business Unit Plan Review

Territories/Areas

Territories:

Thirteen Territories based on language, geography, size, culture law, currency and tax structure:

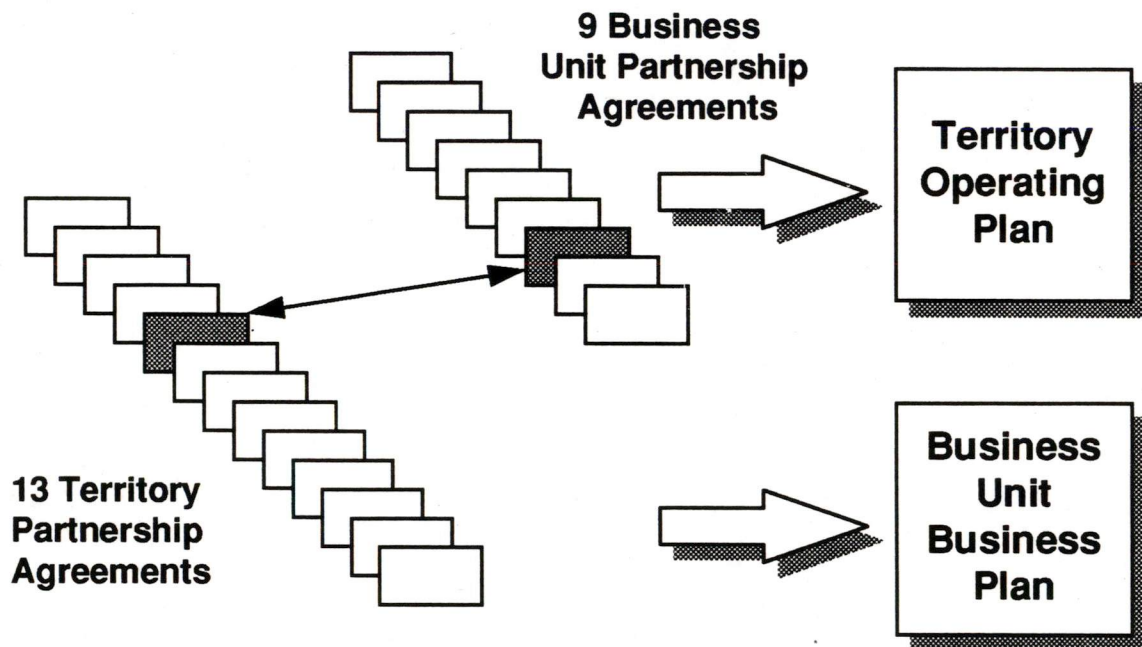
GIA	Canada
	Japan
	South Pacific Region
	Asia
	Latin America Caribbean
USA	United States
Europe	United Kingdom
	Germany
	France
	Italy
	Nordic Countries
	Benelux, Switzerland
	Rest of Europe, Middle East, Africa

Area Role:

- Provide Corporate perspective on cross-Business Unit/Territory issues
- Monitor partnership agreement/implementation
- Manage Territory managers
- Manage shared Territory/Business Unit resources

FY94/95 Business Planning SLT Business Unit Plan Review

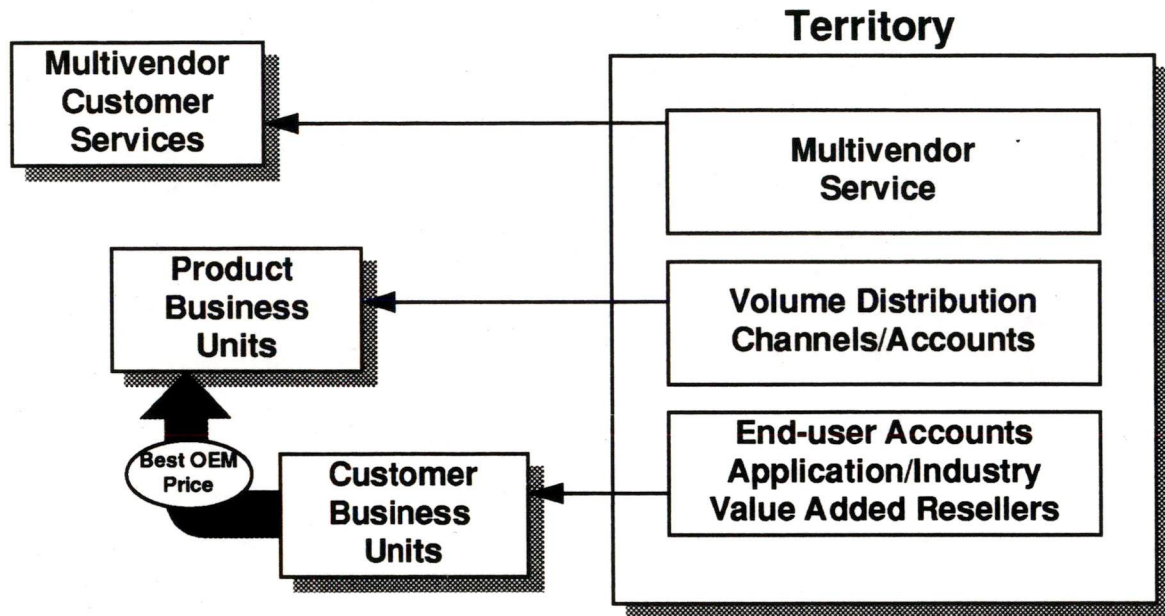
Business Unit/Territory Partnership



- Business Units and Territories develop sales and marketing plans by market segment
- These plans reflected in "Partnership Agreements" committing revenue, margin and expense for each Business Unit within each Territory

FY94/95 Business Planning SLT Business Unit Plan Review

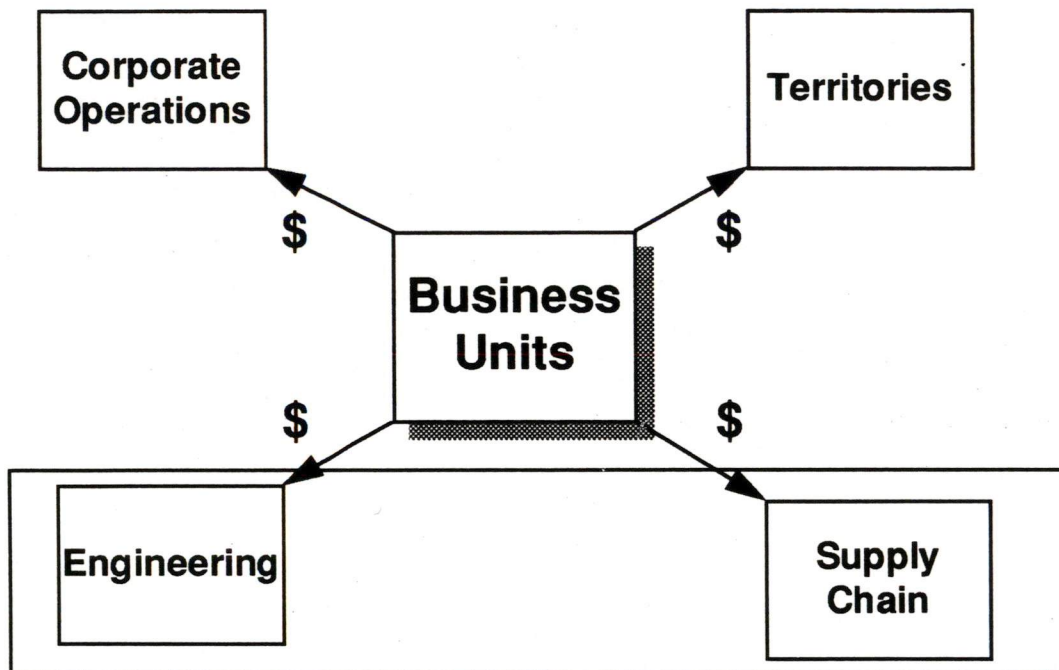
Increased Customer Focus




- With few exceptions, Accounts are mapped one-to-one with Customer Business Units
- Product Business Units focus on driving low-cost distribution channels and expanding the OEM market
- To reduce channel conflict, product transferred from Product to Customer Business Units at "Best OEM Price"

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Attacking SG&A



- Worldwide Supply Chain and Engineering managed functionally in FY94
- All other SG&A functional spending reviewed by Business Units against spending targets and competitive benchmarks



Personal Computer Business
Unit

Senior Leadership Team Woods

April 28th - 30th, 1993



Personal Computer Business Unit

The PC Business Unit is the lead organization for Digital's participation in the high-growth microcomputer market.

The PCBU will provide standalone desktop and notebook computing power to the worldwide market for personal systems in high volumes at fully competitive price-performance levels.

Personal Computer Business Unit

Why is this Market Important?

	FY93	FY94	FY95	CAGR
Market Size:				
Total	\$62B	\$70B	\$75B	<u>10%</u>
Target (1)				
Market Share:				
Total	1.0%	1.5%	2.2%	
Target (2)				
Revenue:				
	\$614MM	\$1,040MM	\$1,668MM	<u>65%</u>

(1) Target Market is the entire PC Market.

(2) Market Share represents the PCBU Channels and the CBU Intercompany revenues.



Personal Computer Business Unit
Primary Focus

It is the Business Unit's intention to vigorously pursue expanded indirect channels.

Standard and Premium lines will be offered to satisfy the diversity of customer needs.

The PCBU will build an effective, flexible, and responsive organization.

Personal Computer Business Unit Business Requirements

■ Customer requirements:

- reliable, high-quality PCs with competitive price/performance levels
- readily available service and support
- short delivery times for latest technology machines

■ Competitive challenges

- market is consolidating around the current leaders, IBM, Compaq, and Dell
- decreased differentiation among competitors with regard to product technology, delivery performance, and service/support levels
- Digital can and must leverage its effective brand strength; opportunities for differentiation will be found "outside of the box" through classic brand positioning and expanded service offerings, integrated network systems

Personal Computer
Business Unit
How Are We Going to Win?

Strengths

Digital presence as a Worldwide organization

Solution/Networking Capabilities

Technology

Weaknesses

One family (premium)

High cost structure

Organizational dynamics

Opportunities

Participation in indirect channels

Leverage Direct Sales efforts with PC Sales Specialists

Increased penetration in Digital's customer base

Threats

Price/Cost pressure

Shortage of critical components

Acceptance of Digital's lower cost channels, service

Personal Computer Business Unit

Why We Will Succeed

Why we will succeed

Shift from high cost, direct sales approach to low cost, direct marketing and indirect channels

Control worldwide pricing and discount structures

Dramatically reduce cost to lowest levels achievable for scale

What might stop us

Supply Chain capability to respond flexibly to varying product demand

Industry prices declining faster than costs can be reduced

Dependence of CBU's to deliver 50% of planned volumes with a change of sales force incentives

Personal Computer Business Unit Financial Summary

P&L 1993-1995 800 Software

	FY93	FY94	FY95
NOR			
Product	113	153	198
Service			
Total	113	153	198
 Cost of Goods Sold			
Product	97	133	173
Service			
Total	97	133	173
 Gross Margin			
Product	16	20	25
Service			
Total	16	20	25
 R&E	0	0	0
 SG & A **	17	20	22
 Operating Profit	-1	0	3

** Includes Executive bonuses and amortization of acquisition costs.



Personal Computer Business Unit What Will be Different?

- NOR: Increase channel penetration
Multiple Competitive Product families
Price competitiveness

- COGS: Supply Chain execution
Low cost design
Competitive Warranty and Service costs
Rapid Growth

- SG&A: New Independent Business structure
Manage down selling costs
Shift mix to lower cost channel
Pay only for utilized costs (Corporate Allocations)

Personal Computer Business Unit Financial Summary

P&L 1993-1995 Intel Products

	FY93	FY94	FY95
NOR			
Product	614	1040	1668
Service			
Total	614	1040	1668
Cost of Goods Sold			
Product	549	853	1351
Service			
Total	549	853	1351
Gross Margin			
Product	65	187	317
Service			
Total	65	187	317
R&E	27	31	33
SG & A	135	177	250
Operating Profit	-97	-21	34

Personal Computer Business Unit Financial Summary

P&L 1993-1995 Alpha

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
NOR			
Product	38	529	1047
Service			
Total	<u>38</u>	<u>529</u>	<u>1047</u>
Cost of Goods Sold			
Product	43	362	729
Service			
Total	<u>43</u>	<u>362</u>	<u>729</u>
Gross Margin			
Product	-5	167	318
Service			
Total	<u>-5</u>	<u>167</u>	<u>318</u>
R&E	26	47	59
SG & A	14	142	251
Operating Profit	-45	-22	8



April 28th - 30th SLT Review

Backup

Personal Computer
Business Unit
Closing the Gaps
Intel

	Request		Budget		Difference	
	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
Direct	552	735	500	1248	(52)	513
IBP	<u>339</u>	<u>442</u>	<u>540</u>	<u>420</u>	<u>201</u>	<u>(22)</u>
NOR	891	1177	1040	1668	149	491
Gross Margin	200	277	187	317	(13)	40
R&E	37	33	31	33	(6)	--
SG&A	222	250	177	250	(45)	--
Operating Profit	(59)	(6)	(21)	34	38	40

Personal Computer
Business Unit
NOR Analysis
Intel - Direct NOR

<u>Territory</u>	FY <u>94</u>	PC <u>BU</u>	FY <u>95</u>	PC <u>BU</u>
Canada	25.7		30.8	
Japan	34.8		70.0	
South Pacific	13.0		18.0	
Asia	60.0		120.0	
LACR	19.4		28.1	
US	197.0		228.9	
United Kingdom	21.7		32.7	
Germany	27.6		27.6	
France	40.2		41.8	
Italy	9.7		10.7	
Nordic	35.5		41.3	
Benelux, Switzerland	23.8		24.6	
Rest of Europe, Middle East, Africa	<u>43.9</u>		<u>60.9</u>	
	552.3	500	735.4	1248



Storage Business Unit

Senior Leadership Team Woods

April 28 - 30, 1993

Storage Business Unit

■ Mission/Charter

"To design, manufacture 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.

Mass Storage Strategic Hierarchical Business Model

Figure 1

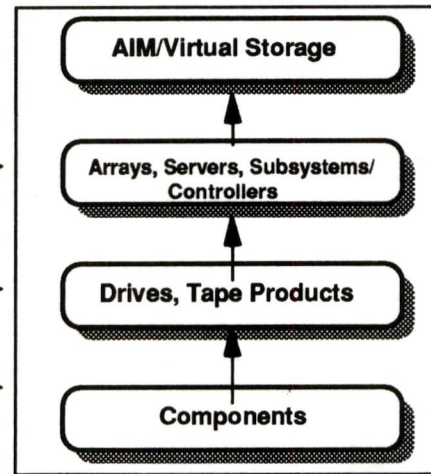
Market Characteristics

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

Storage Business Unit

Why is this Market Important?

	FY93	FY94	FY95	CAGR
Market Size:				
On base Total	\$1.7B	\$1.8B	\$2.0B	<u>9%</u>
Target	\$1.7B	\$1.8B	\$2.0B	<u>9%</u>
Off Base Total	\$25.2B	\$28.7B	\$30.9B	<u>11%</u>
Target	\$3.1B	\$ 4.9B	\$ 7.2B	<u>52%</u>
Market Share:				
On Base Total	\$1.4B	\$1.5B	\$1.7B	
Target	80%	82%	85%	
Off base Total	\$240M	\$710M	\$1100M	
Target (1)	8%	14%	15%	
Revenue:				
@ NOR	\$1.7B	\$2.1B	\$2.8B	<u>28% @NOR</u>
@IBP/NOR	\$1.0B	\$1.4B	\$2.0B	<u>41% @IBP/NOR</u>

Target Market:

Inductive and magneto resistive heads; disk drives -- 2.5" (200 MB-16MB), 3.5" (500 MB-26B), 5.24" (>26 B); tape drives -- 4mm, 8mm, 1/2"; optical -- 3.5: RW, 5.5" RW, 1-2 GB 3.5" disk; subsystems -- microsystems, midrange systems valued between \$25K and \$700K.

(1) Per Q4 8AVP; FY93 = \$170M, FY94 = \$620M, FY95 = \$1300M

Storage Business Unit

Primary Focus

The Storage Business Unit's fundamental strategy is as follows:

- Be the preferred storage supplier that meets 100% of the needs of the five Customer Business Units and the Product Business Units. This will be accomplished by a combination of buying entry level products, designing and manufacturing high capacity/high performance/high availability hardware and software products and working with EIC/external partners on low volume and industry specific products.
- Be a significant force in key segments of the OEM business in order to significantly increase revenues/profit off the non-Digital base and leverage this to ensure leadership storage products for the Digital systems business.

The OEM focus will be on high capacity/high performance disks, high performance/high capacity 1/2" cartridge tape, removable Optical, subsystems for multi-user/server micro and midrange systems (IBM, SUN, Novell LANs, etc.) and software. In addition Digital is in a strong position to sell thin film heads to other disk manufacturers.

The Storage goals are to capture 30% market share in all the areas in which we will compete and attain benchmark profitability for the Storage business.

Storage Business Unit Business Requirements

- Customer requirements:
 - Leadership thin film heads, VLSI, R/W, Servo technologies
 - Price, quality, predictable delivery service
 - Unattended back up
 - Access to on line, near line and archived data
- Critical Success Factors:
 - Revised business practices (distribution, order administration, etc.)
 - Low cost manufacturing
 - Execution of product development plans
- Competitive challenges:
 - On base
 - Predictable delivery of competitively prices products
 - Off base
 - Timing - qualifications - delivery of volume
 - Expanding distribution network

Storage Business Unit

How Are We Going to Win?

Strengths

- Technology
- Design Team Expertise
- Time to Market

Weaknesses

- Business practices and “best in class” execution
- Manufacturing Cost
- Time to volume

Opportunities

- Digital Off base - OEM/Distributor sales
- Distributor/VAR sales Off base
- Digital installed base after market

Threats

- Seagate
- Read-Rite
- Ourselves

Storage Business Unit

Why We Will Succeed

Why we will Succeed

- Product investment to exploit the technology
- Storage dedicated off-base sales force
- Marketing programs targeted to increase on base sales through low cost channels
- Off-shore manufacturing capability

What might stop us

- Poor execution of manufacturing/engineering plans
- Failure to revise current business practices
- Disconnects with operating systems groups (VMS, OSF, NT) - Storage Management Software
- Failure to have close cooperation and team work with all Digital organizations (Eng., CBU, Sales, etc.)

Storage Business Unit Financial Summary

P&L 1993-1995			
	FY93	FY94	FY95
NOR			
Product	1080	1455	2025
Service	0	0	0
Total	1080	1455	2025
 Cost of Goods Sold			
Product	876	1200	1620
Service	0	0	0
Total	876	1200	1620
 Gross Margin			
Product	204	255	405
Service	0	0	0
Total	204	255	405
(1) R&E	141	145	148
(2) SG & A	34	40	70
Operating Profit	29	70	187

(1) R&E excludes central engineering allocations of \$32m - FY94, \$35m - FY95

Rev. 3

(2) SG&A excludes corporate allocations \$32m - FY94, \$45m - FY95

Storage Business Unit

What Will be Different?

	FY94 Better than FY93	FY94 Worse than FY93
N O R	<ul style="list-style-type: none"> Expansion of low cost distribution New product introductions More OEM volume SLAs with principle customers 	<ul style="list-style-type: none"> Heavy pricing pressure More technical challenges to delay TTV Potential to suboptimize the Add-on opportunity Expanded low cost distribution
C O G S	<ul style="list-style-type: none"> Off shore mfg. (FY95 impact) Process improvements Higher ramp to volume and throughput 	<ul style="list-style-type: none"> Higher volumes transition to higher total transfer costs. Shorter product cycles More EOL transitions Shorter order cycles
SG & A	<ul style="list-style-type: none"> * Selling : Expansion of Storage direct sales force focusing on off base opportunities. Less organizational flux Product specialist stability * Marketing : Programs to launch storage off base sales (Storage Works) 	
	* G & A	

Storage Business Unit Summary

■ Next Steps

- Complete On base volume and pricing (IBP) SLAs with CBU/BU's (Storage Day in May)
- Complete territory expense contracts for OA and invoicing of off base activities sales
- Reach closure on Corporate Allocations (Engineering, Marketing, Corporate Operations, Manufacturing, Sales)
- Resolve revenue transfer of Storage devices to MCS and IEG.



April 28 - 30 SLT Review

Backup

Storage Business Unit Closing the Gaps

	CBU/BU Request		Storage Straw Budget		Difference	
	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
	NOR	\$1375	\$2051	\$1455	\$2025	\$(80)
Gross Margin	241	410	255	405	(14)	5
R&E	145	148	145	148	0	0
SG&A	40	70	40	70	0	0
Operating Profit	<u>\$ 56</u>	<u>\$192</u>	<u>\$70</u>	<u>\$187</u>	<u>\$(14)</u>	<u>\$ 5</u>

	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
On base forecast 4/16:	\$666	\$837	\$746	\$811	Req. - BOD \$(80)	Req. - BOD \$26

\$ in Millions

Storage Business Unit NOR Analysis

(Off Base)

<u>Territory</u>	<u>Market or Product Segment</u>				<u>FY94 Total</u>
	<u>Heads</u>	<u>Disks</u>	<u>Tapes/ Optical</u>	<u>Subs</u>	
Canada	\$0	\$ 4	\$0	\$2	6
Japan	0	32	0	3	35
South Pacific	0	8	0	0	8
Asia	0	36	0	3	39
LACR	0	0	0	0	0
US	140	168	32	96	436
United Kingdom	0	0	0	0	0
Germany	0	0	0	7	7
France	0	0	0	1	1
Italy	0	0	0	2	2
Nordic	0	0	0	0	0
Benelux, Switzerland	0	70	10	0	80
Rest of Europe, Middle East, Africa	0	0	0	4	4
	<u>\$140</u>	<u>\$318</u>	<u>\$42</u>	<u>\$118</u>	<u>\$618</u>



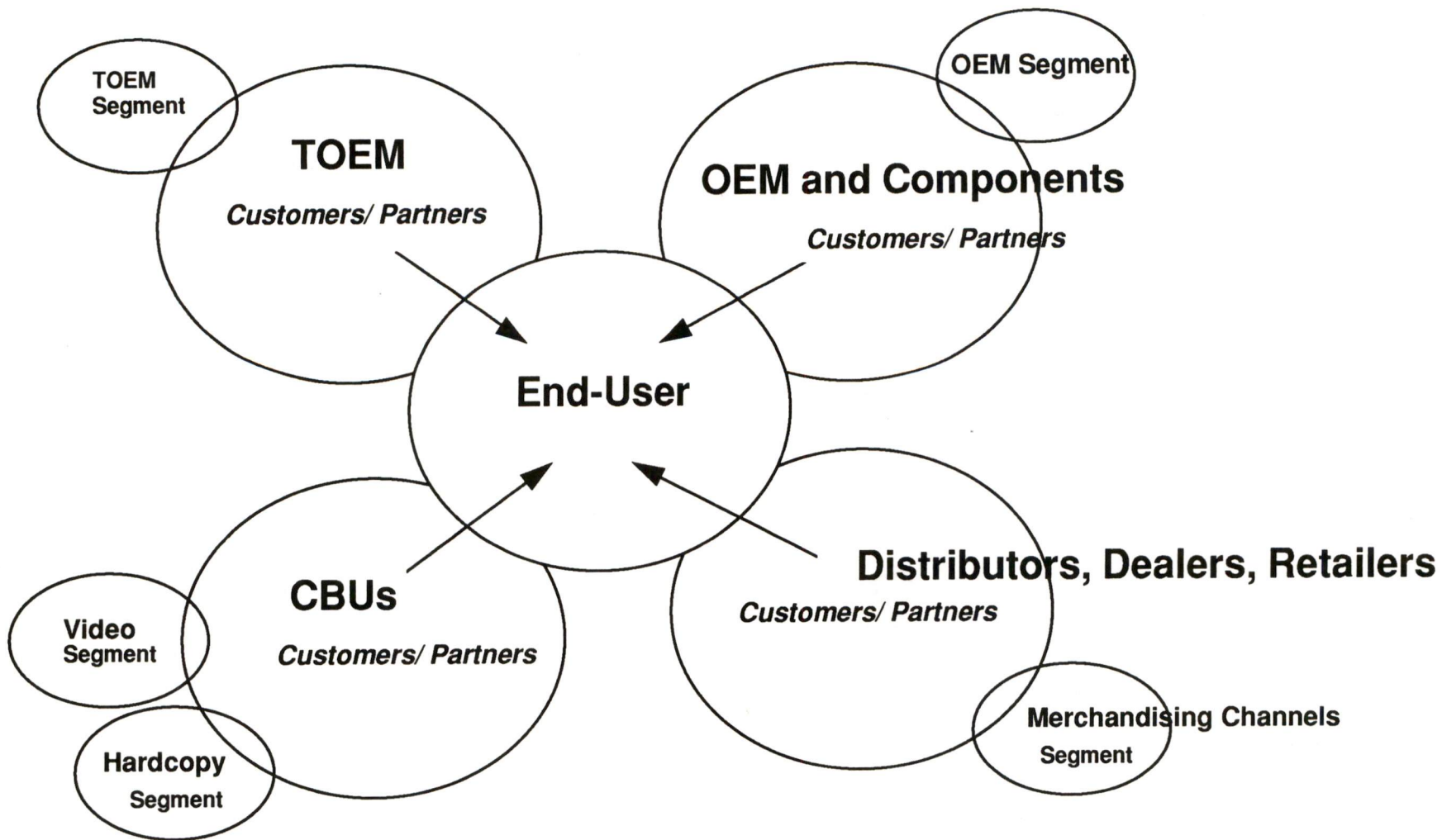
Components and Peripherals Business Unit

April 28th - 30th SLT Review

Components and Peripherals Business Unit

- **VISION** : make DIGITAL a leading player in the commodity products market wherever we have a competitive advantage
- **MISSION**
 - Open, develop, revitalize and manage lower cost, high volume, customer convenient channels for DIGITAL's products
 - Increase market share of C&P designed products in DIGITAL named accounts
 - Continue to develop and grow the TOEM business for C&P and for DIGITAL
- **CHARTER**
 - Expand the commodities product business by seeking out the most cost effective selling channels for commodity products while achieving benchmark profitability

PARTNERING for PROFIT



Product Development : Video, Hardcopy, Realtime Software, Single Board Computers

Our **customers** are **PARTNERS** who reach out to the End-User customer on our behalf. We must **guarantee** them products which give them a **competitive edge** and **profits for both of us** from our business relationship and practices.

Components and Peripherals Market Share Information

PRODUCT VIEW :		TOTAL FY94 \$M	TARGET FY94 \$M	TOTAL FY96 \$M	TARGET FY96 \$M	TARGET MARKET CAGR
Text						
	Size	1626	1626	1218	1218	-13%
	Share	12%	12%	20%	20%	
X-Window Terminals						
	Size	1000	1000	1200	1200	10%
	Share	12%	12%	17%	17%	
Printers (PDL)						
	Size	11606	1080	13800	1250	8%
	Share	1%	10%	2%	15%	

CHANNEL VIEW :						
OEM & Components						
	Size	40000	40000	46000	46000	7%
	Share	<1%	<1%	2%	2%	
Merchandising Channels						
	Size	30000	30000	30000	30000	0%
	Share	<1%	<1%	7%	7%	
TOEM						
	Size	14000	8300	16000	12200	21%
	Share	5%	7%	6%	8%	
C&P Revenue		1250		1950		25%

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Components and Peripherals Business Unit FY94 Growth Analysis

(\$M)	<u>FY93</u>	<u>FY94</u>	<u>GROWTH</u>
COEM	\$70	\$136	94%
TOEM	\$309	\$287	-7%
MASSMERCH	\$366	\$435	19%
 TOTAL DIRECT NOR	 \$745	 \$858	 15%
HDC/VDO IBP NOR	\$390	\$383	-2%
TOEM IBP NOR	<u>\$0</u>	<u>\$9</u>	<u>0%</u>
 TOTAL C&P SUBMISSION	 \$1,135	 \$1,250	 10%
 C&P DIR NOR	 \$745	 \$858	 15%
TOEM NOR (NON-C&P)	<u>\$239</u>	<u>\$301</u>	<u>26%</u>
 COMBINED NOR	 \$984	 \$1,159	 18%

NOTE 1: Currency (primarily Europe) has approximately a 5 point negative impact on growth

NOTE 2: Total TOEM Business growth is 13% in Constant Dollars

Components and Peripherals

Primary Focus

- Develop and expand selling Channels worldwide aimed at doubling revenues over a three year window
- Leverage leadership ALPHA Technology to expand TOEM and OEM Components business while increasing profits
- Working with the CBUs use Technical Specialists and Marketing Programs to sell Open Systems commodity products to significantly expand our market share of terminals and printers in DIGITAL Named Industry Accounts

Components and Peripherals Business Unit

■ Customer requirements:

- Simple business practices
- Pull marketing programs and advertising
- Products: competitive, high quality, compatible with open system computing
- PROFIT

■ Competitive challenges:

- Environment: dynamic markets/products
- Need for strong brand recognition
- Quality is expectation
- Price and margin sensitivity
- Entering an established market

Components and Peripherals Business Unit

■ C&P Response

- We will continue to make a PROFIT, achieving competitive model in FY95
- Create demand pull so customers seek DIGITAL products
- Maximum flexibility and responsiveness
- T&Cs: we will be good business partners
- Leverage DIGITAL's worldwide global capacity: service, support, localization
- Provide high quality, cost competitive products

Components and Peripherals Business Unit

Why we will succeed

- **People**: we will create and inspire a collaborative, global workforce that is committed to implementing C&P's vision
- **Products** : we will promote leadership, competitive products and work with developers to define and deliver products which are based on customer requirements
- **Marketing Programs** : we will invest in measurable marketing and advertising programs which create awareness and demand for DIGITAL's commodity products

What might stop us

- Organizational confusion about charter for Distributors, VARs and TOEMs
- Perception in the marketplace that DIGITAL is not committed to the commodity marketplace
- Non-competitive order processing and fulfillment costs

Components and Peripherals

How Are We Going to Win?

■ Strengths

- An organization committed to success
- TOEM's Design/ Win teams
- A Global / Fortune 50 company with a reputation for quality

■ Weaknesses

- Inability to respond to rapid business changes and needs
- Minimal experience in Merchandising channels outside the DIGITAL base
- Lack of advertising/marketing prowess
- Lack of strong commitment within DIGITAL to importance of indirect selling channels

Components and Peripherals

How Are We Going to Win?

■ Opportunities

- Develop Merchandising channels worldwide
- Evolve new approaches to business and improve business practices
- Leverage high quality and competitive products

■ Threats

- Not viewed as supplier of non-proprietary products
- Pricing and availability of ALPHA and ALPHA products
- Competitive reaction to aggressive pricing

Components and Peripherals Financial Summary

P&L 1993-1995

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
NOR			
Product	1135	1250	1500
Service			
Total	<u>1135</u>	<u>1250</u>	<u>1500</u>
Cost of Goods Sold			
Product	692	782	976
Service			
Total	<u>692</u>	<u>782</u>	<u>976</u>
Gross Margin			
Product	443	468	524
Service			
Total	<u>443</u>	<u>468</u>	<u>524</u>
R&E	125	109	118
SG & A	295	294	305
Operating Profit	23	65	101

1.4B

Components and Peripherals What Will Be Different ?

■ NOR

- Successful penetration of new markets
- Strong advertising & pull marketing
- Freedom to set prices and T&Cs
- Successful linkage between C&P and Central Engineering to develop products with high customer demand
- Simplify discounting structure and offer incentives to buy pallet and truckload quantities

Components and Peripherals

What Will Be Different ?

■ COGS

- High volumes will leverage purchasing power to drive down costs
- Close design gap for low cost-competitive products by working with Central Engineering to define Standard Cost targets
- Supply chain initiative will drive distribution costs lower

■ SG&A

- Establish brand identity in non-proprietary market
- Marketing programs will create awareness and create demand, shortening sales cycles
- Use higher volume, lower cost selling and ordering channels along with well trained Technical Specialists
- Drive down cost of Field infrastructure

Components and Peripherals Summary

■ Unified Channels Focus

- TOEM
- OEM and Component OEM
- Distributors/Wholesalers

■ People

- Committed to WIN !
- Motivated, skilled

■ Alliances

- Olivetti : an important alliance to optimize growth and profitability
 - » planned to leverage profit through shared procurement and technology

■ GROWTH and PROFITABILITY

- for DIGITAL and our Partners



April 28th - 30th SLT Review

Backup

Components and Peripherals Business Unit Closing the Gaps

	REQUEST		BUDGET		DIFFERENCE	
	FY94	FY95	FY94	FY95	FY94	FY95
TOTAL NOR	1300	1426	1250	1500	-50	75
GROSS MARGIN \$	547	600	468	524	-79	-76
%	42%	42%	37%	35%	-5%	-7%
R&E	51	55	109	118	58	63
SGA	265	304	294	305	29	1
OPERATING PROFIT	231	241	65	101	-166	-140
	18%	17%	5%	7%	-13%	-10%

Actions Necessary to Close Gaps:

- Ongoing contract negotiations with territories
 - Clarity of charter / account mapping
 - Treatment of currency
 - Understanding product mix which supports revenue plan : detail 8QVP
- Work with Central Engineering to resolve shared dev. exp. for non-C&P products
- Final closure on Corporate Functional Spending
- Amortization of Olivetti Goodwill not currently reflected in C&P numbers

Components and Peripherals NOR Analysis

<u>Territory</u>	<u>MARKET or PRODUCT SEGMENT</u>			<u>Total</u>
	<u>MerCh</u>	<u>TOEM</u>	<u>COEM</u>	
Canada	45.0	16.0	1.0	62.0
Japan	13.3	50.0	11.2	74.5
South Pacific	8.5	12.5	0	21.0
Asia	2.5	.7	1.0	4.2
LACR	0	0	0	0
US	319.1	95.8	85.0	499.4
United Kingdom	113.7	40.9	0	154.6
Germany	12.0	39.4	0	51.4
France	5.0	24.0	0	29.0
Italy	4.3	54.5	0	58.8
Nordic	0	8.9	0	8.9
Benelux, Switzerland	15.0	17.7	0	32.7
Pan Europe	0	0	78.0	78.0
Spain,etc	0	0	4.2	4.2

Components and Peripherals Business Unit IBP NOR Analysis

CBUS	BUDGET	
	<u>FY94</u>	<u>FY95</u>
DMD	\$101	\$107
CPM	\$64	\$63
CEM	\$61	\$66
FPP	\$116	\$115
HLT	\$34	\$34
STO	\$0	\$0
PCS	\$16	\$27
TOTAL	\$392	\$412



Multivendor Customer Services

Senior Leadership Team Woods

April 28th - 30th, 1993

Multivendor Customer Services

Charter

- **MCS focuses on Information Technology services involving installation, repair, support and interoperability of Digital and non-Digital hardware, software and network products**
- **MCS will provide *total* multivendor service solutions. We will meet customer needs for added-value services such as PC LAN integration and system management services by using high volume, standardized service processes to competitive advantage**
- **MCS will leverage Professional Services' strategic consulting and enterprise integration activities with quality, cost-effective multivendor product service solutions**

Multivendor Customer Services

Why is this Market Important?

	Fy93	Fy94	Fy95	CAGR
<u>Market Size:</u>				
<i>Total</i>	\$ 101 bil	\$ 110 bil*	\$ 121 bil*	9.5%
<i>M-V in DEC Accounts</i>	\$ 18 bil	\$ 20 bil	\$ 22 bil	10.5%
<u>Market Share:</u>				
<i>Total</i>	4.7%	4.3%	4.1%	
<i>M-V in DEC Accounts</i>	5%	6%	8%	
<u>Revenue:</u>				
<i>Total</i>	\$ 4.7 bil	\$ 4.7 bil	\$ 5.0 bil	3.1%
<i>M-V in DEC Accounts</i>	\$.9 bil	\$ 1.3 bil	\$ 1.7 bil	37.5%

* Adjusted for currency impact

Multivendor Customer Services
Primary Focus

Expand Service Alliances

Offer New Value-Added Services

Engage New Accounts

Protect the Digital Installed Base



Multivendor Customer Services

Primary Focus

Expand Service Alliances

- **Service Agency program**
- **Alpha Vendor Alliance program**
- **Multivendor Software Services agreements**

Multivendor Customer Services
Primary Focus

Offer New Value-Added Services

- **PC Integration Services**
- **System Management Services**
- **Software Publishing Services**
- **Developer Support Services**
- **Interoperability Services**
- **Serviceability Consulting**



Multivendor Customer Services

Primary Focus

Engage New Accounts

- Specialty Sellers
- Gold Key program
- Systems Integrator Partnerships

Multivendor Customer Services
Primary Focus

Protect the Digital Installed Base

- **Base sellers**
- **DMO**
- **Admin Re-engineering**

Multivendor Customer Services NOR Analysis (Targets)

<u>(Fy94 \$\$ Billions)</u>	<u>HPS</u>	<u>SME/ISS</u>	<u>SPS</u>	<u>DTS</u>	<u>MCS</u>
Canada	106	--	50	17	173
Japan	172	--	95	3	270
South Pacific	77	--	40	4	121
Asia	101	--	30	5	136
LACR	43	--	15	1	59
U.S.	1,155	--	450	83	1,688
United Kingdom	251	51	130	55	487
Germany	216	132	95	16	459
France	166	46	85	9	306
Italy	103	22	55	10	190
Nordic	96	25	65	11	197
Benelux, Switz	185	79	105	10	379
Rest of Europe	<u>152</u>	<u>55</u>	<u>65</u>	<u>10</u>	<u>282</u>
WW Total	\$2,823	\$ 410	\$1,280	\$ 234	\$4,747

Multivendor Customer Services

NOR Analysis (Targets)

Comments

- **European currencies**
- **Most territories not reflecting aggressive multivendor growth**
- **Implementation of selling model outside of U.S.**

Multivendor Customer Services

Customer Requirements

Customers' Business Challenges

MCS Response

Assistance in supporting complex multivendor environments



Single, accountable support partner

- Agency
- Alliances
- Certification



Multivendor competencies in:

- Service methods and tools
- Spare parts and repairs
- Interoperability

Support that gives them a competitive edge



Added-Value Services

- Operations management
- Serviceability consulting
- Software distrib. & publishing

Reduced I.T. support cost



Service levels appropriate to specific business requirements



Predictive, restoral, and problem maintenance

Multivendor Customer Services

Competitive Environment

Service Market Sector

Competition

Digital Systems in Digital Accounts

- **Third Party Maintainers (Regionals, Bell Atlantic, Granada, IT)**
- **System integrators**
- **VAR integrators**
- **Customers as Self-maintainers**

Non-Digital Systems in Digital Accounts

- **....Same as above, and**
- **At time of initial sale: The traditional systems vendors (eg, IBM, H-P) compete for systems and services**
- **Emerging services consortia**

Non-Digital Systems in Non-Digital Accounts

- **....Same as above, and**
 - **Resellers**
 - **Industry niche vendors**
-

Multivendor Customer Services

Competitive Issues

- **Attracting service partners**
- **Sustaining multivendor skill levels**
 - **Certified service provider**
 - **Authorized service agent**
- **Keeping pace with technology to lead industry service consortia**
- **Selling service through multiple channels**
- **Maintaining proprietary prices**

Multivendor Customer Services

How Are We Going to Win?

Strengths

1. Global capability and presence
2. Call handling and diagnosis
3. Multivendor coverage

Weaknesses

1. Proprietary image
2. Multivendor selling capability
3. Admin support systems

Opportunities

1. Multivendor in the DEC installed base
2. DEC as service partner
 - Embedded Alpha
 - Other product vendors
 - Outsourcing
 - Help desk
3. PC Integration

Threats

1. Other HW vendors and Independents pursuing multivendor approach
2. Installed base migration to non-DEC platforms will lower service penetration

Multivendor Customer Services

Why We Will Succeed

Why we will succeed

1. **Alliances and selling focus to expand market coverage**
2. **Exploit Competencies**
Expand Capabilities  **To provide multivendor, open systems support services**
3. **Re-engineer our main processes to lower costs, improve productivity, and improve customer satisfaction**
 - **Service Creation**
 - **Service Delivery**
 - **Customer Administration**

What might stop us

1. **Ability to establish MCS as the Service Agent for other product vendors**
2. **Ability to transform MCS to an open systems, multivendor service supplier (technology, capital, alliance commitments)**
3. **Ability of Digital's supply chain infrastructure to make rapid change and meet MCS needs**

Multivendor Customer Services

What Will Success Look Like?

- Multiple product vendor alliances
- Growing number of customers with no previous Digital presence
- Growing multivendor NOR as % of total NOR
- Increased market share in target markets
- *Stable, steady profit \$\$*
- "VMS-like" capability for UNIX, NT
- High retention rates in traditional Digital systems service
- Highest industry-measured ratings in customer satisfaction

Multivendor Customer Services *Financial Summary*

	<u>Fy93</u>	<u>Fy94</u>	<u>Fy95</u>
NOR			
Product	----	----	----
Service	\$4,741	\$4,700	\$5,000
Cost of Goods Sold			
Product	----	----	----
Service	2,458	2,375	2,650
Gross Margin			
Product	----	----	----
Service	2,283	2,325	2,350
R&E	186	200	200
SG&A	550	575	600
Operating Profit	\$1,547	\$1,550	\$1,550

Multivendor Customer Services

What Will Be Different?

NOR

- Pricing / downsizing
- Installed base erosion
- + Multivendor
- + PCI

SG&A

- + Selling investments
- + Invest in MCS marketing
- Expect Corp. allocations to go down
- Admin

COGS

	RE-ENG'RG	M-V MIX
LABOR	FAVORABLE	NEUTRAL
MATERIAL	FAVORABLE	UNFAVORABLE

Multivendor Customer Services

Closing the Gaps

	<i>Request</i>		<i>Budget</i>		<i>Difference</i>	
	<u>Fy94</u>	<u>Fy95</u>	<u>Fy94</u>	<u>Fy95</u>	<u>Fy94</u>	<u>Fy95</u>
NOR	\$4,606	\$4,716	\$4,700	\$5,000	\$ -94	\$ -284
Cost of Goods Sold	<u>2,693</u>	<u>2,717</u>	<u>2,375</u>	<u>2,650</u>	<u>-318</u>	<u>-67</u>
Gross Margin	1,913	1,999	2,325	2,350	-412	-351
R&E	202	200	200	200	-2	0
SG&A	<u>575</u>	<u>600</u>	<u>575</u>	<u>600</u>	<u>0</u>	<u>0</u>
Operating Profit	\$1,136	\$1,199	\$1,550	\$1,550	-414	-351

Multivendor Customer Services

Actions to Close the Gap

Fy94

Request Budget Difference

COGS

Territory \$1,653 \$1,535 \$ 118

Action: Re-contracting proceeding, focus on service delivery re-engineering

Logistics

Materials 688 600 88

Labor & Ovhd 332 220 112

Action: MLM dialog proceeding, focusing on labor & ovhd rate

Multivendor Customer Services

Actions to Close the Gap

Fy95

Request Budget Difference

COGS

Territory	\$1,714	\$1,830	\$ 116
-----------	---------	---------	--------

Action: Re-contracting proceeding, budget based on \$300 mil more NOR at reduced variable margin rate

Logistics

Materials	688	600	88
-----------	-----	-----	----

Labor & Ovhd	315	220	95
--------------	-----	-----	----

Action: Materials budgeted flat assuming materials utilization improvement

Labor & ovhd rate budgeted with continuous improvement



FPPS Business Unit

Senior Leadership Team Woods

April 28th - 30th, 1993



Financial, Professional And Public Services Business Unit

Customer-driven solutions for:

- Banking
- Insurance (non-health)
- Architecture, Engineering, Construction, Real Estate
and Property Management
- Computer Software and Services
- Other Professional Industries including law firms,
accountants, consultants, etc.
- Public Administration - civilian agencies in national,
provincial, state and local governments

Financial, Professional And Public Services Business Unit

Business Definition

Financial Services

Banking/Investments
Consumer Banking
Capital Markets
Investments
Corporate Banking
Insurance
(except Health)

Professional Industries

Architecture, Engineering,
Construction and Real
Estate
Computer Software and
Services
Law Firms, Accountants,
Consultants, etc.

Public Administration

Civilian Agencies
National Governments
Provincial Governments
State and Local
Governments

VISION/MISSION:

Integrate industry knowlege with customer-driven solutions for our market segments, focusing on a few key added-value applications and leveraging our global service capability with leadership core information technologies.

Financial, Professional and Public Services Business Unit

Why is this Market Important?

	FY93	FY94	FY95	CAGR
Market Size:				<u>6.5%</u>
Total	\$106B	\$112B	\$120B	
Market Share:				
Total	2.1%	2.1%	2.2%	
Revenue:				<u>9.0%</u>
	\$2.2B	\$2.4B	\$2.6B	



Financial, Professional and Public
Services Business Unit
Primary Focus

1. Solutions (Broad context)
2. Products and Traditional Platforms
3. Focused Sales and Delivery

Financial, Professional and Public Services Business Unit Primary Focus

SOLUTIONS

- Solutions
 - Digital Developed
 - Retail Banking
 - Trading
 - Customer Service
 - Postal
 - Office, Workflow, Image
 - Partners/Alliances
 - Vertically focused
 - Different flavors of Solution Creation, SI and Selling
- Information Access
 - “CTG” Like Approach
 - Open Information Access From Legacy Systems
- Technical Infrastructure
 - Alpha Client Server
 - Middleware
 - Leading Price Performance
 - Industry Standard Tools
- Multivendor Services
 - Global Support

Financial, Professional and Public Services Business Unit Primary Focus

PRODUCTS AND TRADITIONAL SYSTEMS

- Channels Strategy

- VARs
 - CSOs
- } - improved business practices
- fewer in number
- focused management

- Specialized Selling and Support

- Workstations
- PCs
- Networks

- Marketing

- Focused Marketing of Products/
Applications/Solutions

Financial, Professional and Public Services Business Unit Primary Focus

FOCUSED SALES AND DELIVERY

■ Solutions, Sales and Delivery Teams

- Focused Sales, Sales Support, Consultant and SI Teams
 - Vertical
 - Horizontal
 - Technical infrastructure
 - “CTG”

- Specialized Product Selling
 - PCs
 - Workstations

- Opportunity Response Teams
 - Focused Teams to Review Major Leads,
Recommend Approach and Develop Quote

- Targeted Territories
 - Asia, Latin America, US (Banking), Eastern Europe

Financial, Professional and Public Services Business Unit Business Requirements

■ Customer requirements:

- Industry experts who can provide information solutions to the customer's business problems
- Quality and reliability - do the job right the first time
- Value - provide sustaining competitive advantage

■ Competitive challenges:

- Entrenched competitors
- Re-engineering customers' procedures
- Commercial grade systems orientation
- Channels strength - HP, Sun

Financial, Professional and Public Services Business Unit How Are We Going to Win?

Strengths

- Leadership technology and price performance
- Strong customer base
- Quality solutions and engineering expertise, e.g., Retail Banking Europe
- In depth knowledge of our customers' business problems

Weaknesses

- CBU marketing
- Ability to profitably replicate solutions
- Consultative selling skills
- Channels management
- Credibility in US Financial Services Market

Opportunities

- Cost of legacy systems and our ability to leverage client/server technology
- Expanded use of indirect channels
- Opportunity response teams
- Focus

Threats

- Entrenched IBM, Unisys, Tandem, etc.
- Economies
- Requirements for commercial grade systems
- Implementation

Financial, Professional and Public Services Business Unit Why We Will Succeed

Why we will succeed

- Opportunity response teams
- Underlying technology - state-of-the-art client/server
- Clear accountabilities between market segments and territories
- Improved sales delivery model including channels

What might stop us

- Worldwide economy
- Lack of commercial grade platforms and software that is system-engineered
- Skills mix issues

Financial, Professional and Public Services Business Unit Financial Summary


P&L 1993-1995

\$MM	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
NOR			
Product	1729.7	1785.4	1855.4
Service	487.9	596.4 <i>+220b</i>	724.8
Total	<u>2217.6</u>	<u>2381.8</u>	<u>2580.2</u>
Cost of Goods Sold			
Product	1040.5	1052.5	1086
Service	407.8	447.3	475
Total	<u>1448.3</u>	<u>1499.8</u>	<u>1561</u>
Gross Margin			
Product	689.2	732.9	769.4
Service	80.1	149.1	249.8
Total	<u>769.3</u>	<u>882</u>	<u>1019.2</u>
R&E	324.7	250.7	200
SG & A	890.9	869.2	819.2
Operating Profit	-446.3	-237.9	0

-200b

-100b

Financial, Professional and Public Services Business Unit What Will be Different?

	Increase	Lower 		
	<u>NOR</u>	<u>COS</u>	<u>SG&A</u>	<u>ENG</u>
•Sales/Delivery Teams	x	x	x	x
•Specialized Product Selling	x		x	
•Focused Solutions	x	x	x	x
•Global Programs	x	x	x	
•Channels/Partnering	x		x	
•Information Access	x			
•Marketing	x		x	
•Opportunity Response Teams	x	x	x	
•Targeted Territories	x		x	
•Commercial Grade Systems	x	x	x	

Financial, Professional and Public Services Business Unit Summary

- Focus on Customer Solutions
- Channels Strategies and Business Practices
- Improved Sales and Delivery Model
 - Solutions
 - Systems
 - Products
- Opportunity Response Teams
- Leverage Leadership Client Server Technology
- Marketing
- Globalization
- Training, Training, Training
- Focus, Focus, Focus



April 28th - 30th SLT Review

Backup

Financial, Professional and Public Services Business Unit Closing the Gaps

	Request		Budget		Difference	
	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
NOR	2382	2580	2382	2580	--	--
Gross Margin	840	938	882	1019	+42	+81
R&E	251	220	251	200	-	-20
SG&A	960	928	869	819	-91	-109
Operating Profit	-371	-209	-238	0	+133	+209
	-15.6%	-8.1%	-10.0%	0.0%	+5.6%	+8.1%

Describe what actions will be taken to close the differences between the Territory and Functional requests and your proposed budget

Financial, Professional and Public Services Business Unit NOR Analysis

FY94 Territory	\$MM	Market Segment			
		Fin. Serv.	Prof. Ind.	Public Adm.	Total
Canada		23.0	13.0	45.0	81.0
Japan		52.0	20.6	0.8	73.4
South Pacific		27.3	9.4	14.0	50.7
Asia		75.1	15.6	33.6	124.3
LACR		34.9	--	8.9	43.8
US		271.0	322.9	179.1	773.0
United Kingdom		167.6	20.3	36.5	224.4
Germany		101.3	8.4	126.9	236.6
France		83.8	29.3	11.6	124.7
Italy		35.3	12.8	26.7	74.8
Nordic		39.9	5.0	32.5	77.4
Benelux, Switzerland		152.1	5.9	115.8	273.8
Rest of Europe, Middle East, Africa		161.2	--	62.7	223.9
Total		1224.5	463.2	694.1	\$2381.8

Financial, Professional and Public Services Business Unit Selling and Delivery

	Merchandising (PC by DEC, 800-Software)	With Partners (VARs, CSOs, Distributors)	Solutions Sale (Complex, customized)	FY94 NOR \$MM
Commodities (e.g., PC, VIPs, Storage add-ons)	7% \$166.7	17% \$404.9	6% \$142.9	\$714.5
Systems (Traditional Products, non-commodity)	3% \$71.5	26% \$619.3	14% \$333.5	\$1024.3
Proff'l Serv. + SI (Services ONLY)	0%	8% \$190.6	19% \$452.6	\$643.2
Total	\$238.2	\$1214.8	\$929.0	\$2382

Financial, Professional and Public Services Business Unit Issues

1. NOR

- SI Growth
- Hardware Growth

2. COGS

- Service Cost of Delivery Improvement
- Hardware Margin Improvement?

3. SG&A

- Investments?
- Commitments
- Large Project Bids
- Sales Delivery Team Implementation
- Area/Territory/CBU Infrastructure
- Run Rate

4. Engineering

- Commercial Grade Platforms



Health Industries Business Unit

FY'94/FY'95 Business Plan

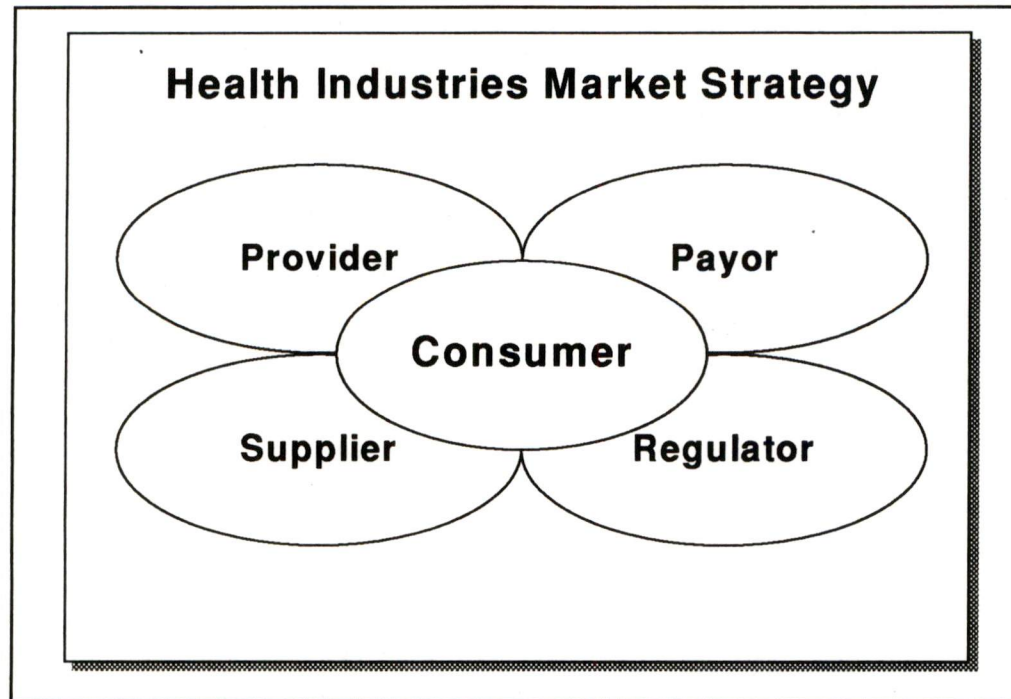
Presentation

Senior Leadership Team Woods

28 - 30 April 1993



Health Industries Business Unit Identification



Health is a large, high growth, recession-resistant industry which is in worldwide crisis around poor quality and high cost of care. The key players in this industry are becoming highly collegiate in finding new ways to improve the quality of care in an efficient, financially viable manner.



Health Industries Business Unit Identification

The Health Industries CBU is uniquely positioned within Digital to leverage activities across this complementary set of markets and accounts that comprise an industry value chain from the perspective of the customer. Specifically, we are well positioned to provide innovative information technology solutions that best address the following customer needs:

- Global Research Networks
- Automated Patient Information
- Administrative information systems
- Providing terabytes of information to governments
- Automated framework for drug approvals & clinical trials
 - Strong decision support
 - Process control systems
 - Activity based costing systems



Health Industries Business Unit

Why This Market is Important to Digital?

	FY'93	FY'94	FY'95	CAGR	
Market Size:					
	Total	\$ 23.9 B	\$ 25.8 B	\$ 28.0 B	8 %
	Target*	\$ 11.6 B	\$ 12.4 B	\$ 13.5 B	8 %
Market Share:					
	Total	2.4%	2.5%	2.5%	
	Target *	5.1%	5.2%	5.2%	
Revenue:	\$593M	\$646M	\$704M	9%	

* Total refers to all I.T. spending. Target Market excludes industry specific and niche market applications.



Health Industries Business Unit

Primary Focus

- 1) Deliver a focused set of repeatable solutions that add value to our customers by reducing cost, improving quality and access to care, and accelerating time-to-market.**
- 2) Develop key alliances with third parties and customers to deliver enhanced vertical applications, complementary consulting and service capabilities.**
- 3) Develop consultative selling skills and deliver cost justifiable solutions to enable a shift to a value pricing model and ensure customer satisfaction.**



Health Industries Business Unit Business Requirements

Customer Requirements:

- Increase the quality of goods and services delivered
- Improve drug discovery pipeline and time-to-market
- Comply with rapidly changing regulation/legislation
- Achieve cost efficiencies



Health Industries Business Unit Business Requirements



Critical Success Factors:

- **Specialized Consultative Selling for Health Industries**
- **Repeatable solutions**
- **Strong portfolio of third party partners**
- **Maintain Leadership expertise in Worldwide Health Industries Markets throughout the CBU**



Health Industries Business Unit Business Requirements

Competitive Challenges:

- Aggressive investment by HP in Health I.T. and in key third party partners
- IBM dominant in Pharmaceuticals
- EDS/Andersen both have 'practices' focused on Health & Benefits
- DG and Sun are major factors in niche markets/accounts
- Government defense contractors successfully entering outsourcing and services/SI health markets



Health Industries Business Unit Business Requirements

How will we differentiate ourselves:

- **Having the Vision for this industry and it's extended enterprise**
- **Successful Global engagements and installations**
- **Attracting the best partners and alliances in the industry**
- **Delivering results through solutions implemented in a timely manner**



Health Industries Business Unit

How Are We Going to Win?

Strengths

- Substantial VAX Installed Base
- *De Facto* computing standard in Research
- NAS, Global Networks
- Partner Portfolio
- ALPHA AXP

Weaknesses

- Simple, single Image/Document Strategy
- Perceived vacillation in commit. to technical markets
- 'Delivery' infrastructure major problem worldwide
- Lack a profitable model for SI

Opportunities

- Systems Integration
 - * DECnda
 - * Integrated Pharma Mfg.
 - * Research & Lab
 - * Computer Patient Record
- CAMD (Computer Aided Molecular Design)
- Desktop, Enterprise Networks
- Inter-Enterprise Integration
 - * DEClaims
 - * Telemedicine
 - * EDI

Threats

- IBM & HP gain market acceptance over Alpha AXP
- HP encroachment on partners
- Big '6' and gov'n't (defense) contractors capture consulting/SI business
- Microsoft control of software environment



Health Industries Business Unit We Will Succeed Because:

- 1) We are focused on the way the customer sees their industry and we understand how Information Technology can address their problems**
- 2) We can effectively market, sell, value price, and deliver these capabilities**
- 3) We have worldwide presence and capabilities**

The industry is ready for Information Technology and we are well positioned to exploit this readiness



Health Industries Business Unit

What Might Stop Us?

- 1) Ineffective deployment of marketing, sales and delivery resources**
- 2) Not delivering on our commitments to our partners**
- 3) Shortage of Health Industry expertise in our Services delivery organization**

All the above will be exploited by HP, IBM, EDS, etc. to our detriment.



Health Industries Business Unit Financial Summary

P&L FY'93 - FY'95

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
NOR			
Product	475	509	528
Service	<u>118</u>	<u>137</u>	<u>176</u>
Total	593	646	704
Cost of Goods Sold			
Product	270	274	277
Service	<u>95</u>	<u>103</u>	<u>110</u>
Total	365	377	387
Gross Margin			
Product	205	235	251
Service	<u>23</u>	<u>34</u>	<u>66</u>
Total	228	269	317
R&E	92	71	70
SG&A	257	231	212
Operating Profit	- 121	- 33	35

- 15%

- 5%

5%



Health Industries Business Unit What Will be Different?

NOR ... Overall Growth of 9% CAGR

Product growth will be modest, but achievable by:

- Developing third party channels to service the emerging Biotech Industry
- Further development of SME business across the extended enterprise
- Push more commodity sales through DMO
- Increase in solution sales, with 25% product component
- Continued heavy use of the CSO/VAR channel

Service growth more aggressive with focus on:

- Horizontals ... Networking, FM/Outsourcing, Business Protection, Mgmt. Consulting
- Focused Vertical Solutions associated with Market Segment Business Initiatives



Health Industries Business Unit

What Will be Different?

COST OF GOODS SOLD* *GROSS MARGIN

Products:

- Cost improvement will be offset by pricing pressures when sold via third party channels
- A pricing advantage gain for product component of value-priced solutions when we are established as an industry leader
- Product mix has traditionally been in the midrange, but the industry move to more desktop will challenge us not to deteriorate margins

Services:

- Plan calls for improvement in cost of delivery from 82% of NOR to 75%, getting closer to best in class for FY94
- Cost improvements, as planned by PSC's in repeatable horizontal solutions for Networking & FM/Outsourcing
- Begin to value price for Pharma solutions where we are establishing reference/leadership position (DECnda,Mfg.)
- Prioritize vertical solution opportunities to become proficient at cost effective delivery



Health Industries Business Unit

What Will be Different?

Selling, General & Administrative

Selling

- Dedicated end-user sales teams vs part -time selling effort
- Improved Management of third party partner sales
- Increased use of CSO/VAR, SME & DMO channels

Marketing

- Focused Marketing programs integrated with selling efforts
- More selective around trade show/event participation
- Demos showing what we have to sell, not just one-time, specialized solutions
- Reduction in the overall plethora of Marketing activities

CBU Direct

- Prioritize market business initiatives
- Tightly link to selling/marketing efforts
- Minimize infrastructure/overhead

Other Corporate, Area and Territory Expense

- Identify critical infrastructure needed to support the business
-



Health Industries Business Unit Summary

Profitable Growth

- Grow worldwide revenue by 9% from FY93 to FY95
- Breakeven in 5 quarters, with a sound return to profitability of 5% for FY95

Customer Satisfaction

- Drive a Customer Satisfaction program aimed at meeting the objectives of being a top systems integrator and preferred supplier

Traditional and Solutions Business

- Develop and deliver solutions for the key business initiatives
- Steadily shift toward increased revenue and profit from business solutions while moving the traditional business to 75% of total NOR



Health Industries Business Unit

Backup



Health Industries Business Unit

Focused Market Initiatives

<u>Title</u>	<u>Description</u>	<u>Focus Area</u>
Pharma R&D	Solutions to improve discovery pipeline, time to market in research, clinical trials and regulatory affairs	Global
Pharma Mfg	Integrated mfg. solutions to improve operational efficiency, regulatory compliance & time to market	Global
Pharma Sales & Mktg	Integrated solutions that improve operational effectiveness of dept.	Global
Health Insurers/ Managed Care	Solutions to contain costs, meet regulatory requirements, improve patient services & timeliness of reimbursement to providers	U.S. & Canada
Computer-Based Patient Record	Implementation of an integrated patient information environment based on a central data repository	Global
Inter-Enterprise Integration/EDI	Simplify business communication across the extended health enterprise with standardized messaging technologies	Global



Health Industries Business Unit

Focused Market Initiatives

<u>Title</u>	<u>Description</u>	<u>Focus Area</u>
Healthcare CSO/OEM's	Management & continued development of traditional business partners	Global
Telemedicine/ Telemedicine Info. (TIS)	IT Solutions that place caregiver in the presence of remote patients to improve access, quality and timeliness of diagnosis ... includes the service network required to deliver these solutions	Services
IT Infrastructure	Provide technology, implementation strategy and services that supports Health customers business requirements	Global
Clinical Imaging	Satisfying the need of medical imaging informatics critical to CPR, Telemedicine, diagnostic & research efforts within clinical departments	Global
Patient Focused Care	Solutions focused on the re-engineering of care delivery process & organizations to achieve cost savings & improve staff & customer satisfaction	U.S. & U.K.
New Business	Development of the SME segment in presently undominated sectors	Global



Health Industries Business Unit

Closing the Gaps

NOR

Request		Budget		Difference	
<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
764	829	646	704	118	125

- Reconcile FY93 base from the territories, with the corporate restatements and the latest forecast
- Ensure parity in the account alignment & revenue projections
- Integrate the market opportunity, market segment initiatives and territory revenue projections
- Test selling, marketing and delivery is properly aligned to deliver revenue by territory

Gross Margin

300	347	269	317	31	30
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- Revisit cost of delivery numbers in key territory plans
- Understand the revenue mix for product and service to test the best in class direction with the mix unique to Health Industries
- Decreasing cost of delivery in Professional Services is key to Health Industries



Health Industries Business Unit

Closing the Gaps

SG&A

Request		Budget		Difference	
<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
300	300	231	212	69	88

- Reduce Marketing, inclusive of Product, Corporate, Territory & Area, by at least 1% of total NOR
- Refine/Prioritize market segment initiatives to reduce costs in CBU Direct expenses
- Focus on territories where we did not see reduction in Selling costs, and in those where the savings were minimal
- Revisit those territories where Area and/or Territory G&A did not decrease either in absolute \$'s or as a % of NOR
- Reconcile Cross-CBU activities to revenue opportunities, resulting in a 10% reduction from the initial funding requests
- Take an additional 10-20% out of remaining corporate charges without deteriorating critical service levels

R&E

79	79	71	70	8	9
----	----	----	----	---	---

- Slight reduction in Engineering to meet 11% spending target in FY94 and 10% in FY95



Discrete Manufacturing and
Defense Business Unit

Senior Leadership Team Woods

April 28th - 30th, 1993



Discrete Manufacturing and Defense Business Unit

VISION

Our customers' most significant challenges are supply chain cost reduction, time-to-profitability of new products, rapid Application Development, and achieving force multiplier advantages.

We will solve these customer problems more effectively than any of our competitors, with leading edge platforms and solutions, thereby becoming the dominant and most profitable I/T supplier to the Aerospace, Defense, Electronics, and Automotive/General Discrete Market segments.

Discrete Manufacturing and Defense Business Unit

Why is this Market Important

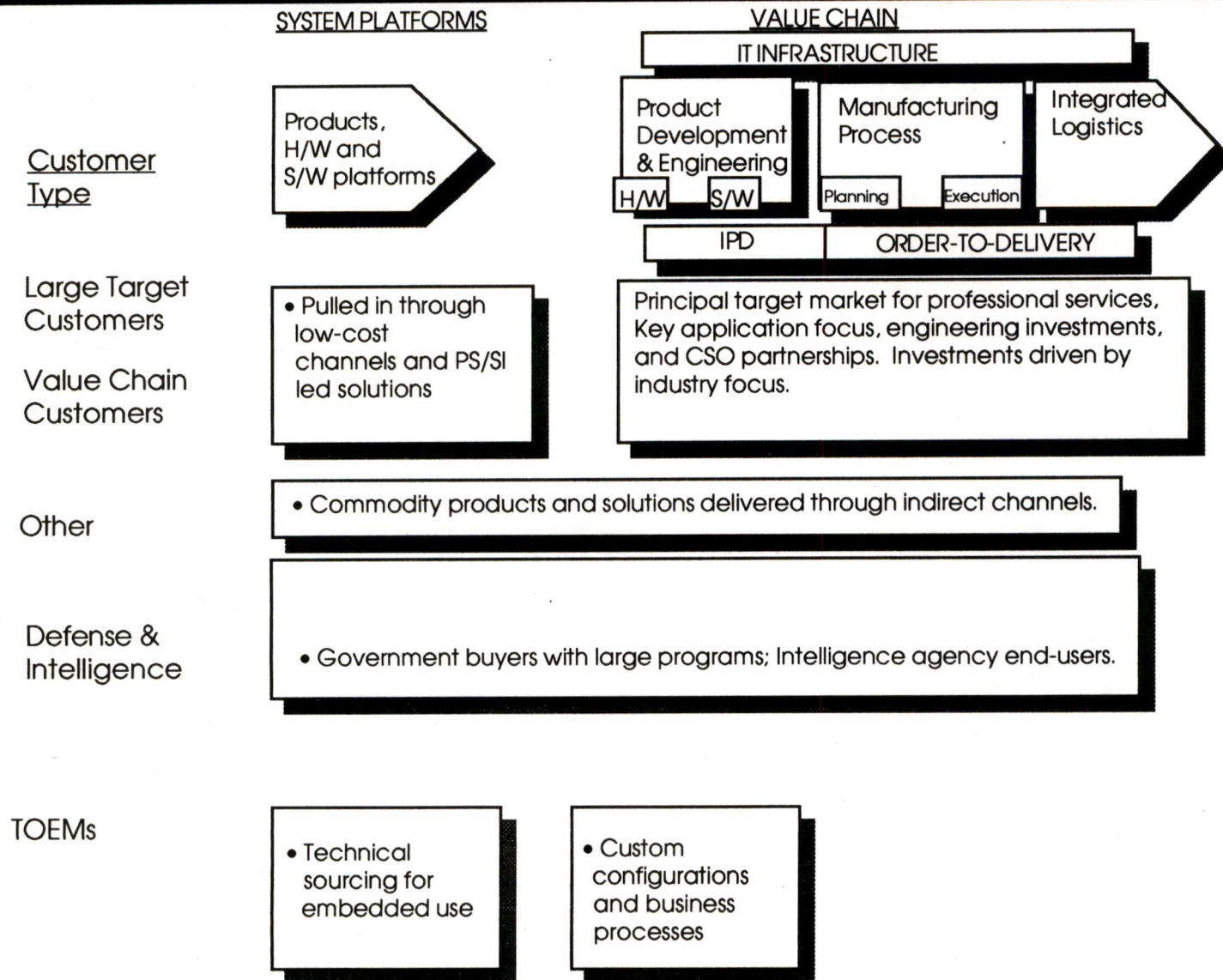
"Reversing a steep decline in Revenue and Share"

	FY93	FY94	FY95	CAGR
Market Size:				
Total	\$47.2B	\$48.5B	\$50B	<u>1.8%</u>
Automotive	15	16.1	17.2	5%
Aerospace	4.7	4.4	4.1	-4%
Electronics	19	19.8	20.5	3%
Defense	8.5	8.3	8.0	-2%
Market Share:				
Total	3.4%	3.6%	3.9%	
Automotive	3%	3%	3%	
Aerospace	6%	7%	7.6%	
Electronics	3%	3%	3%	
Defense	3%	3%	3%	
* Revenue:	1691	1745	1860	<u>2.5%</u>

* Revenues include - A Reversal of 14% decline in Hardware Revenue to 1% growth in FY94
- A tripling of services growth rate to 18% per yr. by '95

Discrete Manufacturing and Defense Business Unit

Primary Focus/Customer Segmentation



Discrete Manufacturing and Defense Business Unit

Business Requirements

Customer Requirements

SYSTEM PLATFORMS

Products,
H/W and
S/W platforms

- Unified UNIX
- Leadership/Price Performance
- Key applications & solutions availability
- Accessible flawless channels of distribution
- Internationalization Localization
- Ruggedized, Secure products
- Industry/government standards
- Global pricing & service

PROFESSIONAL SERVICES

IT INFRASTRUCTURE

Product
Development
& Engineering

H/W S/W

Manufacturing
Process

Planning Execution

Integrated
Logistics

IPD

ORDER-TO-DELIVERY

- Expertise in product development and supply chain operations/industry knowledge in Aerospace, Electronics, Automotive/General Discrete.
- Expertise in Command and Control Systems.
- Core I/T competencies.
- Security clearances.
- Flawless integrated sales and delivery.
- Risk sharing/win-win.
- Flexible, global business practices.
- Rapid deployment of new applications tied to legacy systems.

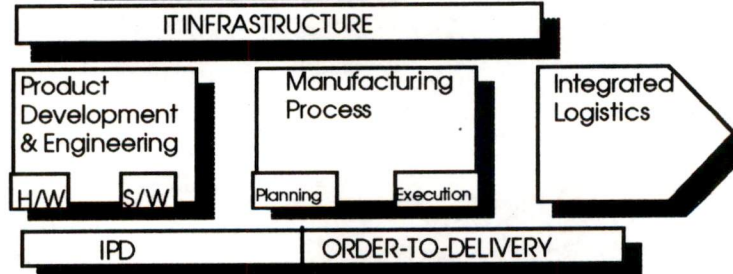
Discrete Manufacturing and Defense Business Unit

Business Requirements Cont. Competitive Challenges

SYSTEMS PLATFORMS



PROFESSIONAL SERVICES



Key Competitors

HP, Sun, IBM

Anderson, EDS, IBM, CSC

Our Differentiators

Today:

- Leverage service led opportunities (HP, Sun)
- Alpha 64 bit multi operating system price/performance and performance (All)
- Global service delivery (HP, Sun)

Today:

- We are a major manufacturer. (Anderson et al are not)
- Industry orientation (IBM horizontal)
- IT technology and R&D expertise (Anderson Big 6)

The Challenge:

- Strengthen CSO Alpha alliances to preferred level
- Develop low cost distribution channels

The Challenge:

- Business practices
- In-depth industry expertise throughout the organization.
- Integrated Selling and delivery/program management
- Development of World Class Repeatable Solutions

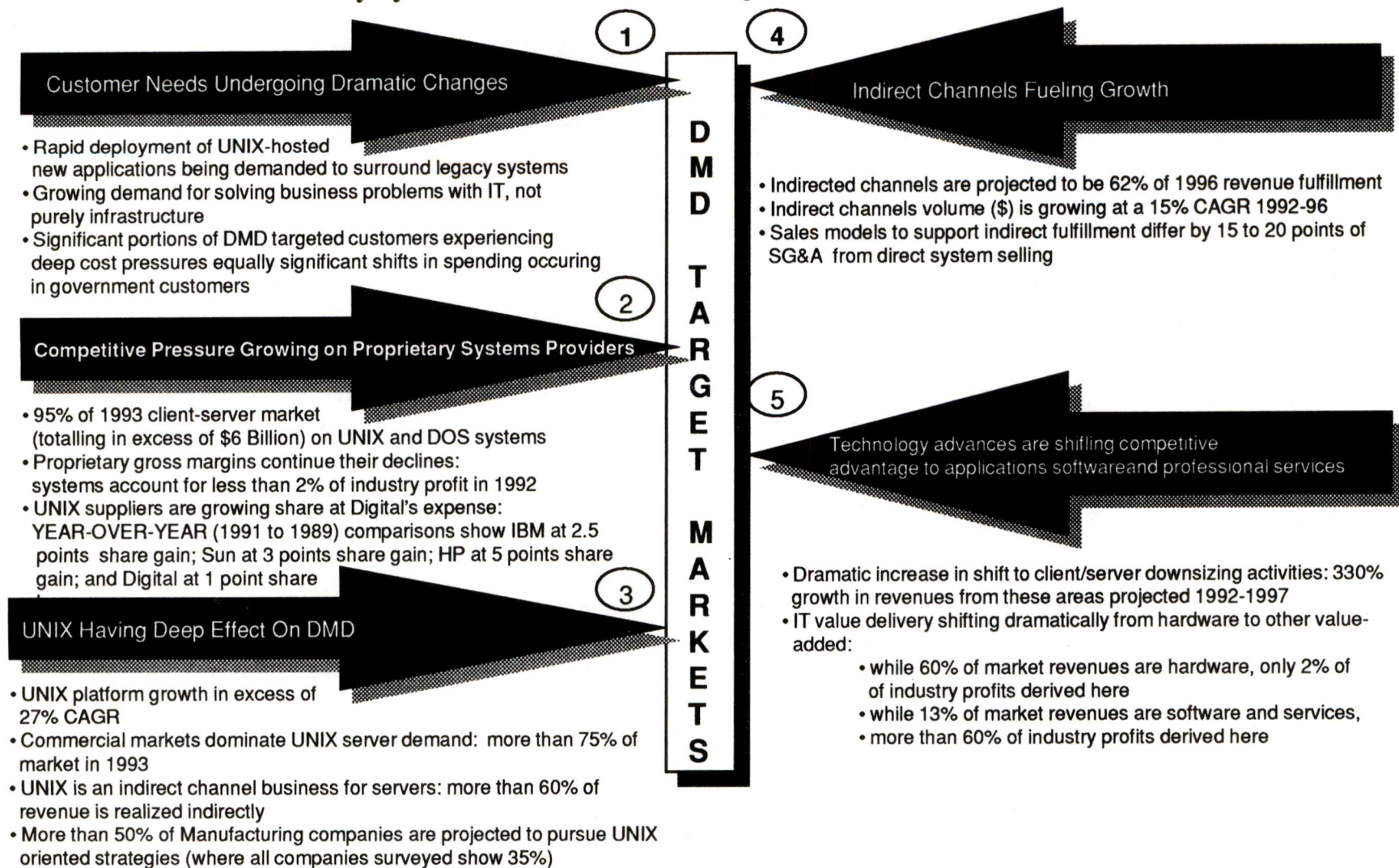
Discrete Manufacturing and Defense Business Unit Financial Summary

P&L 1993-1995

	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
NOR			
Product	1321	1340	1380
Service	370	405	480
Total	<u>1691</u>	<u>1745</u>	<u>1860</u>
Cost of Goods Sold			
Product	807	856	850 - 61%
Service	318	331	345
Total	<u>1125</u>	<u>1187</u>	<u>1195</u>
Gross Margin			
Product	514	484	530
Service	52	74	135
Total	<u>566</u>	<u>558</u>	<u>665</u>
R&E	264	244	227
SG & A	736 43%	593 34%	553 30%
Operating Profit	-434	-279	-115

Discrete Manufacturing and Defense Business Unit What Will be Different

Industry Dynamics Demand Radical Change In How DMD Will Serve Its Customers



Discrete Manufacturing and Defense Business Unit Summary

	Point Improvement vs. FY93	DMD PROFIT IMPROVEMENT PLAN FY94 ACTIONS
NOR	3% Growth	Unix CSO partners & applications PS focused solutions Value Pricing
GM	<1>	Increase PS Business - Unix CSO partners + More systems less Add-ons + More desk-top systems - Repeatable solutions +
Selling/Support Territory	2	Develop & Implement channels strategy PS/Sales Integration Reduce effort to low volume accounts PS focused solutions Repeatable solutions Cooperative selling with partners
G&A Territory	4	Re-engineering and restructuring
G&A Area	2	Re-engineering and restructuring
G&A Corp	2	
CBU	.5	Reducing CBU Engineering Investments; Rightsizing CBU Organization.
MARKETING PS/SI	1.5	Incremental 25% reduction in functional spending
LOGISTICS	.5	Functional improvement
INVESTMENTS	<1.5>	CSO & Solution Investments for Revenue Growth
CORP G&A	1.0	Incremental 25% reduction required
R & E	1	Streamline Product Strategy
Operating Profit	10	

Discrete Manufacturing and Defense Business Unit

How Are We Going to Win

Strengths

- Strong Market Share in Shop Floor Control (25-30%) and segments of Defense (10%), European Automotive (14%), European Electronics (9%).
- Product leadership with Alpha AXP/UNIX (at operating system level).
- Credibility as a Discrete Manufacturer and global service provider.

Weaknesses

- Perceived today as high risk UNIX choice and poorly positioned with key CSO's.
- SG&A costs and distribution channels grossly un-competitive (20 point SG&A problem; 30% indirect vs. 60% norm).
- Talent in pivotal positions (e.g. industry experience, consultative selling, program management).

Opportunities

- Key CSO partnerships to drive Unified UNIX (\$300M '94). - Preferred Choice.
- Grow global share of Multi-territory accounts and medium size suppliers to large accounts.
- Match industry growth rate 18% P.A. by '95 for Professional Services (up from 6% today) by focusing on vertical solutions and downsizing/upsizing to client server.

Threats

- Aero., Defense and Euro. Automotive spending unwinds more rapidly than planned.
- DMD intensive economies entering/continuing recession (e.g. Germany, Japan, France).
- Migration of Shop Floor to Unix (H.P.) and PCs (Pentium) outpaces our execution of Unified UNIX strategy.

Discrete Manufacturing and Defense Business Unit

Why We Will Succeed

- We will regain leadership in the platform business.
 - Leverage UNIX applications with Top 30 CSOs.
(Increase FY94 revenue from \$100M to \$300M - \$450M)
- We will grow business at industry rates in added-value areas where we can dominate in high margin PS/Sl:
 - Supply Chain Integration
 - Integrated Produce Development
 - Manufacturing Operations
 - Technical CASE
 - Order-to-Delivery (Automotive)
- We will restructure our channels to deliver our customers more value at lower cost. (And higher profit to Digital):
 - Integrated sales and delivery teams
 - Shift appropriate business to indirect channels
 - Leverage Corporate campaigns (e.g. downsizing) and horizontal services

Discrete Manufacturing and Defense Business Unit What Might Stop Us

- Resistance/Delay in implementation of CBU driven structure, and staffing of pivotal positions with deep industry expertise.
- Most Territories have de-emphasized DMD market segments, necessitating major shift in momentum, mind share, and presence in market place and within Digital.
- Focus/development of talent throughout the organization... Program Management, Channels Management, Partner Management, Consultative Selling, General Managers, Account Management.
- Lack of effective information/decision support systems.
- Delay in implementation of competitive channels strategy.
- Development/commitment to business practices required to more effectively serve multi-territory accounts.
- Inadequate pull strategy for Alpha.



April 28th - 30th SLT Review

Backup

Discrete Manufacturing and Defense Business Unit Closing the Gaps

	Territory/Function					
	Submission		Budget		Difference	
	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
NOR	*1891	1999	*1745	1860	146	139
Gross Margin	655	679	558	665	97	14
R&E	214	225	244	227	30	2
SG&A	773	737	593	553	(180)	(184)
Operating Profit	(332)	(283)	(279)	(115)	(53)	(168)

Describe what actions will be taken to close the differences between the Territory and Functional requests and your proposed budget

* Represents differences in FY93 revenue assessment.

Discrete Manufacturing and Defense Business Unit Actions to Close the Gap

NOR

- Need corporate reconciliation of FY93 territory and CBU NOR
- Detailed evaluations of market segments and account plans

GROSS MARGIN

- Achieve agreement on NOR plan
- Review product and service mix differences

R&E

- Close on CBU/PBU/Engineering agreements

SG&A

- Territory reviews of SG&A
- Review and reduce territory, area, and corporate G&A

Discrete Manufacturing and Defense Business Unit NOR Analysis

<u>Territory</u>	Market or Product Segment				<u>Total</u>
	<u>Aero</u>	<u>Auto</u>	<u>Elec</u>	<u>Def</u>	
Canada	3.2	7.7	1.9	9.8	22.6
Japan	.5	45.5	75.7	4.5	126.2
South Pacific					19.2
Asia	2.0	19.8	21.8	6.6	50.2
LACR	0	10.7	1.4	2.0	14.1
US	275.0	111.0	229.6	226.0	841.6
United Kingdom	9.3	18.1	31.9	69.8	129.1
Germany	19.3	155.0	78.7	6.2	259.2
France	22.6	44.5	36.8	9.3	113.2
Italy	13.4	34.8	17.3	12.6	78.1
Nordic	2.1	20.1	10.0	11.0	43.2
Benelux, Switzerland	4.9	62.2	34.2	15.7	117.0
Rest of Europe, Middle East, Africa					77.4



Communications, Education
and Media Business Unit

Senior Leadership Team Woods

April 28th - 30th, 1993

Paul Kozlowski



CEM Business Unit

■ Vision and Charter

- We are the #1 or #2 product and solution integrator in our Communications, Education and Media target markets
- We are strategically positioned to profit in the emerging multimedia market
- We are committed to growth and profitability through revenue generation and efficiency.
- Our customers are delighted with our solutions and products which make them more competitive and profitable
- **Our high quality organization is market driven, technologically advanced and customer focused.**

CEM Business Unit

Why is this Market Important?

	FY93	FY94	FY95	CAGR
Market Size:				
Total	\$ 26.2B	\$ 27.6B	\$ 30.0B	<u>7.0%</u>
Target*	\$ 12.7	\$ 13.6	\$ 14.6	<u>7.2%</u>
Market Share:				
Total	5.5%	5.6%	5.6%	
Target*	11.3%	11.3%	11.6%	
CEM Revenue:	\$ 1438M	\$ 1538M 7%	\$ 1692M 10%	<u>8.4%</u>

* The target market consists of: Telecom network operators and equipment manufacturers; education, library and research institutions; cable companies; newspapers and publishing; advertising; broadcasting and theme parks.

CEM Business Unit Primary Focus

- Our top three areas of business focus are:
 - Segments:
 - Communications: Telecom public network suppliers and switching/transmission manufacturers
 - Education: Primary/Secondary and Higher Education institutions, libraries and researchers
 - Media: Cable companies and suppliers, broadcasters and advertising, theme parks, newspapers and publishing
 - All three segments are rapidly converging into the dynamic opportunity of Multimedia
 - Solutions portfolio aimed at meeting customer need
 - Highly qualified and knowledgeable sales force supported by industry-focused PSCs

K-12

to be
dropped?

CEM Business Unit Business Requirements

■ Customer requirements:

- An understanding and commitment to their industry
- High quality products and solutions, based on standards, that improve competitiveness and profitability
- Flexible business practices, globally integrated
- For our focus markets:

Communication:

- Revamp legacy sys
- New rev sources

Education:

- Info access
- Research effectiveness
- Education quality

Media:

- Grow revenue
- Customer Svc
- New offerings

■ To differentiate ourselves, we will provide:

- Industry-focused sales and delivery resources serving Global customers
- Clear, consistent, focused marketing messages
- Alpha-based solutions that meet customer needs

CEM Business Unit

How Are We Going to Win?

Strengths

- Recognized SI expertise
- Global business capability
- Networking leadership

Weaknesses

- Morale of organization
- Sales force expertise and knowledge
- Inadequate solution portfolio and marketing strategy
- No fault tolerant (UNIX) offering

Opportunities

- Large SI projects managed by global PSCs
- Focused, repeatable solutions
- High growth markets:
 - .Wireless communications
 - .Cable/Entertainment

Threats

- Aggressive niche competitors
- Established SI-focused, high quality vendors
- Open systems; and market perception of DEC
- DEC's internal focus



CEM Business Unit

Why We Will Succeed

Key Initiatives:

- Solutions portfolio and delivery resources focused on customer, revenue generation and profitability
- Improved SI capabilities and practices:
 - .Value pricing; bid fewer and win more
 - .Worldwide network of SI expertise
 - .Program management excellence
- Industry-focused, technically capable sales force
- Effective marketing programs

What might stop us:

- Solutions-selling capability in sales force develops too slowly
- Delays in engineering deliverables:
 - .DEC MCC; Fault Tolerant (UNIX) Alpha Platform
 - .Multimedia and Video Servers
- Organizational complexity and cost structure
- Competitive support systems

COMMUNICATIONS, EDUCATION, AND MEDIA

FINANCIAL SUMMARY FOR BUSINESS PLAN

	(M\$)		
	FY93	FY94	FY95
NOR			
PRODUCT	1053.3	1103.9	1199.9
SERVICE	384.3	434.3	491.6
TOTAL	1437.6	1538.2	1691.5
COST OF GOODS SOLD			
PRODUCT	668.3	699.4	675.1
SERVICE	322.7	347.5	388.4
TOTAL	991.0	1046.9	1063.5
GROSS MARGIN			
PRODUCT	385.0	404.5	524.8
SERVICE	61.6	86.8	103.2
TOTAL	446.6	491.3	628.0
R&E	209.2	168.2	149.8
SG&A	577.4	507.6	473.2
OPERATING PROFIT	-340.0	-184.6	5.0
Memo (Included Above):			
IBP	233.0	248.0	326.4
MCV	0.0	-17.0	-14.0



CEM Business Unit

What Will be Different?

- Summary of P&L Improvements-FY93 to FY94
 - Revenue will grow 7%, a reversal of declines in recent years. This will result from:
 - .An improved portfolio of Alpha-based solutions focused on customer needs
 - .Aggressive value-based program pricing
 - .Specific offerings of fault tolerant, ad insertion and video servers
 - .A motivated and knowledgeable, industry-focused sales force
 - SG&A will decline from 40% to 33% of NOR by:
 - .Channel optimization; targeted selling
 - .Dedicated sales resources require yield of \$3M
 - .Technical sales support provided by PSCs
 - .Elimination of overlapping functional activities and management layers; "value added" organization



CEM Business Unit Summary

■ Major Messages

- Total focus on identifying and satisfying customer needs
- Quality:
 - .Products and solutions as promised - the first time
 - .Efficiency and productivity in selling, delivery and functional activities
- Accountability and incentives throughout the organization
- Disciplined focus:
 - .Drive revenues through opportunity identification
 - .Targeted channels and solutions portfolio
 - .Fewer accounts/bigger deals/aggressive pricing
 - .Clear, consistent marketing and strategic messages
- Profitable growth



April 28th - 30th SLT Review

Backup

CEM Business Unit

Closing the Gaps

	Request*		Budget		Difference	
	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
NOR	\$1485	\$1621	\$1538	\$1692	\$ 53	\$ 71
Gross Margin	435	544	491	628	56	84
R&E	168	150	168	150	-	-
SG&A	<u>560</u>	<u>550</u>	<u>508</u>	<u>473</u>	<u>52</u>	<u>77</u>
Operating Profit	<u>\$(293)</u>	<u>\$(156)</u>	<u>\$(185)</u>	<u>\$ 5</u>	<u>\$108</u>	<u>\$161</u>

Actions to close the gaps:

-NOR:

- Focused account and territory reviews to identify incremental opportunities (U.S., Germany, Italy, France, Canada, Asia and Japan)

-SG&A:

- Dedicated sales resources require yield of \$3M
- Technical sales support resources deployed by PSCs
- Global planning for industry-focused PSC delivery resources
- Detailed functional and CEM resource reviews

* Per April 7th Partnership Agreements and functional requests

CEM Business Unit FY94 NOR Analysis

\$ Mils

<u>Territory</u>	<u>Comm</u>	<u>Educ</u>	<u>Media</u>	<u>Total CEM</u>
Canada	36	12	8	56
Japan	62	12	8	82
South Pacific	50	29	16	95
Asia	40	30	14	84
LACR	19	7	2	28
US	195	180	110	485
United Kingdom	71	24	8	103
Germany	73	36	12	121
France	20	32	5	57
Italy	101	0	0	101
Nordic	42	10	14	66
Benelux, Switzerland	55	45	21	121
Rest of Eur, Mid East, Africa	55	30	14	99
Basys	<u>0</u>	<u>0</u>	<u>40</u>	<u>40</u>
Total Revenue	819	447	272	1538

Consumer & Process Manufacturing Customer Business Unit

Senior Leadership Team Woods

April 28th - 30th, 1993

digital™

Senior Leadership Team Woods - April 28th-30th, 1993 - John Klein - Company Confidential

Business Unit Identification

Become the preferred partner with companies to solve their business problems in a way that generates profits and growth for Digital in the following industries:

- Chemical
- Consumer Packaged Goods
- Forest Products, Glass, Metals, Mining
- Oil and Gas
- Retail and Wholesale
- Travel and Transportation
- Utilities

Consumer & Process Manufacturing Customer Business Unit

Business Unit Identification

Industry/Market Segment	Sub-Segments/ Industries Served	Key Channels	Key Geographies
CHEMICAL	Petrochemicals	Digital Direct Sales Chemical IT Distributors	U.S. EUROPE
	Plastics		
OIL & GAS	Exploration & Production	Business Partners	W/W
	Oil Refining	Digital Direct Sales SI partners	WW
	Marketing/Distrib.	SI DEC & non-DEC VAR/OEM	WW
CONSUMER PACKAGED GOODS	N/A	Business Partners	U.S. & Canada; Western Europe; South Pacific; Japan, Eastern Europe
FOREST, METALS, MINING & GLASS	Forest Products; Metals & Glass; Mining; Textiles	Business Partners	WW
UTILITIES	Electric/Gas/Water:	Business Partners	SPR; Asia; France; Italy; Nordics; Canada; Japan; UK/ Ireland; Spain/Portugal; Germany, Switz; Holland/Belg.
RETAIL/ WHOLESALE	N/A	Business Partners	Europe, N. America, U.K., France, Nordic, Japan, Australia
TRAVEL & TRANSPORT.	People/Cargo Movement; Infrastructure	Digital Direct Sales/ Business Partners	N. America, Western Europe, Asia

Consumer & Process Manufacturing Customer Business Unit

Why is this Market Important?

	FY93	FY94	FY95	CAGR
MARKET SIZE:* (\$ in bil) Total Market Target Market	\$ 110B	\$117B	\$125B	6.5%
	\$ 24B	\$ 26B	\$ 29B	9.3%
MARKET SHARE: Total Market Target Market	1.3%	1.3%	1.3%	
	6.0%	5.7%	5.4%	
CBU Revenue: (\$in mil)	\$1449M	\$1492M	\$1580M	4.5%

* Aggregation of 7 industry business segments
 Note: Worldwide market growth in actual U.S. dollars

Consumer & Process Manufacturing Customer Business Unit

Territory Opportunity by Market Segment

Chemical Industry
Total IT Market and Growth Rate
1992-1995
Dollars (000,000)

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>CAGR</u>
Territory 1	\$259.5	\$275.4	\$296.3	\$317.3	6.93%
Territory 2	235.9	250.3	269.4	288.5	6.94
Territory 3	382.7	406.0	436.9	467.9	6.93
Territory 4	49.9	52.9	56.9	61.0	6.93
Territory 5	152.4	161.7	174.0	186.4	6.95
Territory 6	277.7	294.6	317.0	339.5	6.93
Territory 7	303.2	321.7	346.1	370.7	6.93
USA	1470.2	1555.5	1658.1	1775.9	6.50
So. Pacific	88.4	94.9	101.4	108.4	7.04
Asia	415.9	497.2	596.4	717.8	19.95
Canada	146.8	152.8	159.0	165.6	4.10
Japan	763.8	817.2	882.6	954.2	7.70
Latin America	239.6	283.4	335.4	397.4	18.37
Total	<u>\$4461.8</u>	<u>\$4818.6</u>	<u>\$5259.0</u>	<u>\$5753.8</u>	<u>8.85%</u>

Note: Based on constant FY92 dollars.

Consumer & Process Manufacturing Customer Business Unit

Primary Focus Short Term

1. Profit/Loss Results
 - o Improve profitability 11 Points in FY94
 - o Grow revenue while making changes.
 - o Cut non-value added expenses.

2. Determination and rapid implementation of channels and partners strategy.

3. Transition from a product focused business to a solutions focused business.

Consumer & Process Manufacturing Customer Business Unit

Primary Focus Longer Term

1. Open up new markets for existing and new/enhanced offerings. e.g., SME, Alpha AXP, DECunity.
2. Move from high dependence on Digital direct sales force to extensive collaboration with business partners in all industry segments/subsegments.
3. Increase market share in current markets with existing offerings.
 - o Develop and support effective selling teams.
 - o Focus selling efforts on selected offerings and market subsegments.
 - o Intensify promotional efforts.

Customer Requirements

- Aggressive support of open systems
- Clearly defined channel/partner strategy
- Global support
- Ease of doing business
- Technology leadership - Products and Services
- Ability to tie together platforms, applications and services across the enterprise to meet the information needs of the business
- Customer/industry specific expertise and IT solutions
- Expertise in re-engineering and streamlining business processes - supply chain, downsizing.

Competitive Challenges

- How will we differentiate ourselves

We will be the only worldwide, fully integrated IT provider organized by customer business.

- **This focus enables us to:**
 - Aggregate our knowledge of each industry at the global level and be a better business partner with our customers than our competitors.
 - Translate customer requirements into tailored solutions that satisfy the needs of each industry segment.
 - Support our customers on a global basis.

Consumer & Process Manufacturing Customer Business Unit

How are We Going to Win?

<p><i>STRENGTHS:</i></p> <ul style="list-style-type: none">• Technology• Global• Integration capability at Product Level• Significant share & presence in select leading accounts• Loyal customer base	<p><i>WEAKNESSES:</i></p> <ul style="list-style-type: none">• Internal Focus• Trying to be all things to all people• Skill mix of current employees• Responsiveness to customers• Tough to do business with• Offerings not available through preferred channel
<p><i>Opportunities:</i></p> <ul style="list-style-type: none">• Leverage strengths across segments• Mainframe downsizing• Client/server, distributed computing	<p><i>THREATS:</i></p> <ul style="list-style-type: none">• Niche competitors are focused and have superior industry/solution expertise• Competitors beat us to market• Competitors have a streamlined cost structure which gives them an advantage in both pricing and profitability.

Why We Will Succeed

- **Why we will succeed**

- Relentless focus on:

- Profit/loss results
 - Transition from a products/country focused business to a technology/industry focused business
 - Determination and rapid implementation of channels and partners strategy which satisfy customer buying preferences.

- **What might stop us**

- Tree hugging
 - Continued internal focus - organizational issues, employee morale associated with downsizing
 - Lack of detailed implementation plan we communicate and consistently follow
 - Inability of nine business units and functions to work together as a team
 - Lack of urgency
 - Timely accurate information to run the business

Consumer & Process Manufacturing Customer Business Unit

Financial Summary

(\$ in millions)

	P&L 1993-1995		
	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>
NOR			
Product	\$1054	\$1032	\$1065
Service	<u>395</u>	<u>460</u>	<u>515</u>
Total	<u>1449</u>	<u>1492</u>	<u>1580</u>
Cost of Goods Sold			
Product	579	560	573
Service	<u>320</u>	<u>365</u>	<u>407</u>
Total	<u>899</u>	<u>925</u>	<u>980</u>
Gross Margin			
Product	475	472	492
Service	<u>75</u>	<u>95</u>	<u>108</u>
Total	<u>550</u>	<u>567</u>	<u>600</u>
R&E	227	197	158
SG&A	606	507	426
Operating Profit	\$(283)	\$(137)	\$16

Consumer & Process Manufacturing Customer Business Unit

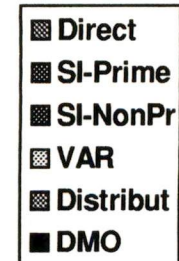
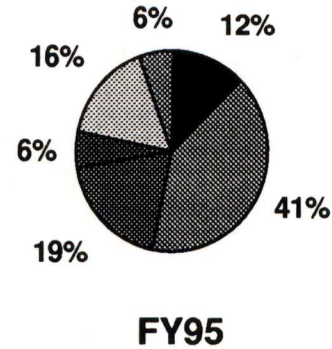
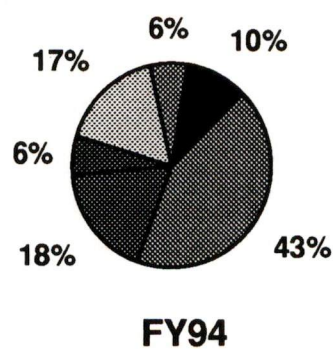
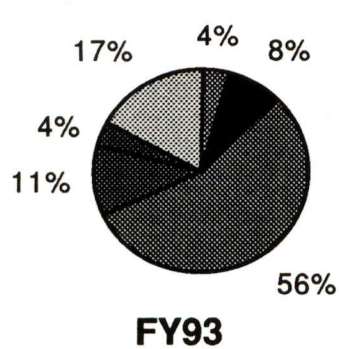
WHAT WILL BE DIFFERENT

(\$ in millions)

	<u>NOR</u>	<u>PBT</u>
Consumer & Process Manufacturing FY93 Results	\$1449	\$(283)
Revenue		
o Technology/Pricing Pressure	(85)	(85)
o Product mix shifts	(80)	(97)
o New business growth - Primarily Solutions Business	268	160
Currency	(60)	(20)
Economics - Pay increases & Inflation		(70)
Spending		
o Manufacturing - Reduced Standards		18
- MCV Implementation		23
o Professional Services - Improved Cost Structure		54
o Improved Territory Expense (18% reduction)		77
o Reduced R&E Expenses		30
o Reduced Corporate overhead/Infrastructure (30%)		56
 Consumer & Process Manufacturing FY94 Plan	 <u>\$1492</u>	 <u>\$(137)</u>
	====	====

Consumer & Process Manufacturing Customer Business Unit

Distribution Opportunities



FY94 (\$ in millions)

	U.S.	Europe	GIA
Direct	\$270	\$371	\$172
SI-Prime	85	149	92
SI-NonPr	33	48	22
VAR	114	138	61
DISTRIBUT	39	50	21
DMO	48	114	24

- . Satisfy customer needs by offering goods and services through the customer's preferred buying channel.
- . Optimize CPM distribution by offering goods and services through appropriate, most cost efficient channels of distribution.
- . Assure pricing strategies support channels strategy.
- . Develop a competitive CBU business partner strategy that supports the new business model

Consumer & Process Manufacturing Customer Business Unit

Business Partner Strategy

GOAL:

Develop a competitive worldwide CBU business partner strategy that supports the new business model:

- Effectively support our strategic customers with high value solutions
- Increase market penetration of non-strategic customers through better utilization of indirect resources.

POSITIONING:

Positioning Statement

Approach

Customer

Digital and its partners will work together to effectively provide the best solutions and delivery formats in the industry.

- Offer industry-specific solutions
- Present unified & differentiated partnership to customer

Business Partner

Digital will embrace partners as critical to mutual success

- Provide neutral single point of contract
- Clarify partnerships' roles & responsibilities

Internal

Digital will implement the best business partner strategy in the industry by means of a well aligned and accountable organization structure

- Develop partner strategies within Market Segments
- Allow Channels Organization to provide tactical management

Consumer & Process Manufacturing Customer Business Unit

BACKUP



Consumer & Process Manufacturing Customer Business Unit

Closing the Gaps

	<u>Request</u>		<u>Budget</u>		<u>Difference</u>	
	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>	<u>FY94</u>	<u>FY95</u>
NOR	\$1840	\$1886	\$1492	\$1580	\$(318)	\$(306)
Gross Margin	695	715	567	600	(128)	(115)
R&E	197	202	197	158	0	(44)
SG&A	<u>700</u>	<u>680</u>	<u>507</u>	<u>426</u>	<u>(193)</u>	<u>(254)</u>
Operating Profit	<u>\$(208)</u>	<u>\$(167)</u>	<u>\$(137)</u>	<u>\$ 16</u>	<u>\$ 65</u>	<u>\$183</u>

Actions to close the difference between the Territory and Functional requests :

- o Revenue - April 7th submission did not consistently apply latest revenue rules for PC's and distributors - May 3rd submission will correct.
- DEE is not yet in our budget submission - May 3rd submission will correct.
- o Gross Margin - Assumed to be same percentage in both scenarios - Further work required on impact of cost structure, product/service mix, IBP, new transfer costs, and pricing.
- o R&E - Final numbers will be based on final revenue.
- o SG&A - Territory expense plans did not meet expense to NOR improvement goals. Detail reviews of each Territory plan are scheduled. Territory business models by industry segment will be used to establish spending goals.
- Market expenses/corporate overhead have been goaled at 30% reduction to achieve FY94 profit goals. Functional plans not approved.

Consumer & Process Manufacturing Customer Business Unit

FY94 NOR Analysis (Territory View) (\$ in millions)

Territory	CHEM	CPG	FMMG	O&G	R&W	T&T	UTIL	TOTAL	<u>GROWTH RATES</u>	
									TERR. PLANS	IT MKT. GROWTH *
Canada	\$ 7.2	\$ 8.3	\$ 9.1	\$ 8.2	\$ 12.1	\$ 7.1	\$ 36.3	\$ 88.3	7.4%	4.0%
Japan	11.2	18.7	13.6	9.1	18.0	15.8	19.5	105.9	9.0	8.0
South Pacific	5.0	7.0	18.4	13.0	5.0	5.0	25.0	78.4	5.4	7.0
Asia	8.6	2.0	15.1	15.9	9.4	10.0	12.0	73.0	15.1	20.0
LACR	5.5	6.0	11.9	12.4	5.5	2.5	6.0	49.8	35.3	18.0
US	92.0	60.0	60.0	55.0	135.0	45.0	72.0	519.0	(3.8)	6.0
U.K.	14.6	28.4	7.2	26.1	22.7	20.6	70.4	190.0	4.9	0.0
Germany	N/A	N/A	N/A	N/A	N/A	N/A	N/A	179.6	(9.3)	2.0
France	14.6	12.2	25.2	5.9	32.3	25.8	12.2	128.2	0.8	1.0
Italy	2.0	13.9	3.3	14.5	2.5	12.6	16.9	65.9	5.8	1.0
Nordic	2.2	14.0	6.5	14.0	15.0	14.6	7.8	74.1	(11.2)	0.0
Benelux, Swit.	27.0	13.9	10.6	7.8	45.0	26.8	12.4	154.1	(5.3)	2.0
Territory 2	58.9	7.2	0.0	9.1	0.0	7.7	50.7	133.6	10.4	3.0
Total								\$1839.9	1.0%	6.5%
Adjustment								(347.9)	2.0	
FY94 CPM NOR								\$1492.0	3.0%	6.5%

* Territory Growth in actual U.S. dollars

Consumer & Process Manufacturing Customer Business Unit

CPM'S Strategies are Differentiated by Industry/Market Segment

STRATEGIES		CHEM	CPG	O&G	FOREST FOR PROD	F MET/GL	M MIN	G R&W	T&T	UTIL
Open up new markets with existing offerings	Increase offbase business to SME customers	X	X	X						X
	Develop water utilities market for DEC unity									X
Open up new markets with new/enhanced offerings	Transition to W/W mod-volume repeatable sole provide			X						
	Develop broad applications capability on Alpha AXP			X						
	Develop automated solutions for cargo/pass. Term								X	
Develop new products for existing markets	Develop predictive process control offering				X	X	X			
	Develop integrated producer product mgmt offering				X	X				
	Develop integrated mill mgmt offering				X					
	Offer enhanced & POS products							X		
Further market penetration	Charge/broaden market perception of Digital									X
	Develop effective selling teams with partners	X	X	X	X	X	X	X	X	X
	Promote Digital as comprehensive supplier									X
	Focus selling efforts on selected offerings/segments	X			X	X	X			
Enhance existing market offerings	Continue enhanced BTM solution with partners		X							
	Enhance supply chain solutions with rapid replen		X							
	Implement voice of customer program		X							
	Dev/deliver repeatable, high-profit sol for FABS, etc									X
	Promote BIMS master plan & train for refinery seg			X						
	Establish w/w solution mgr for terminal sub-segment			X						
Develop initial market for new offerings	Maint relations with Indust std org, exe new alliance			X						
	Focus on specific new markets for new offerings (sys.)	X								
	Dev initial mkt for new offer to urban trans & infrastr								X	
	Mkt system sol to integrate freight mgmt & dist								X	
Influence channel behavior	Dev initial mkt mini mill specialty prd & pulp & pap con				X	X				
	Strengthen relationships with key partners			X	X	X	X			X
	Devel channel strategy to address uncovered niches									X
Improve overall operating effectiveness	Build solution portfolios to position/differentiate partners		X							
	Develop business mgmt skills/expertise	X	X	X	X	X	X	X	X	X
	Further functional integration	X	X	X	X	X	X	X	X	X
	Collaborate w/other CBLs	X	X	X	X	X	X	X	X	X
	Coordinate/integrate MVS into CPM's solutions	X	X	X	X	X	X	X	X	X