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# Digital Equipment Corporation

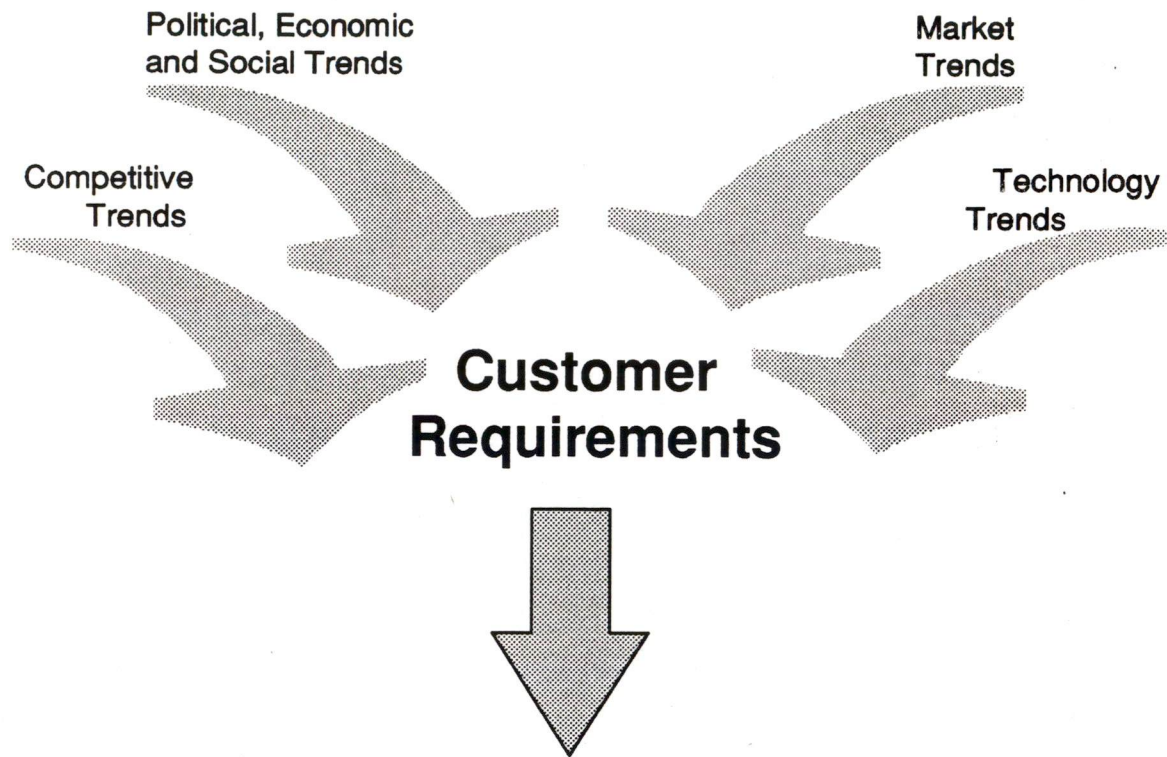
## FY94/95 Business Plan

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#14

Business Planning Team  
June, 1993

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Restricted Distribution



Digital Equipment Corporation  
FY94/95 Business Plan

June 1993

Restricted Distribution

# Digital Equipment Corporation FY94/95 Business Plan

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# Digital Equipment Corporation

## FY94/95 Business Plan

### 1.0 Introduction

This Business Plan covers fiscal years 1994 and 1995. The plan gives a high-level overview of trends in the industry and the competitive environment and shows how they have influenced customer buying behavior.

Through the Business Unit Plan Executive Summaries, the Business Plan shows that Digital is focused on ensuring that our customers become more competitive: through leveraging our leadership technology, our capabilities in systems integration, a growing industry-focused applications portfolio and a strong service organization. This focus positions the Company to exploit emerging opportunities in individual industries, to exploit new distribution channels for commodity-type products and to benefit from the gradual recovery in the world economy.

Supporting plans from the Territories, Engineering and the Supply Chain demonstrate that each part of the Company has been aligned to support the Business Units while working to ensure functional excellence.

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### 1.1 Digital's Vision

We help our customers to transform their business ambitions into reality - first by listening, then by designing, delivering and supporting the world's most creative and reliable business solutions based on leadership information technology from Digital and our partners.

We align our work to our customers' businesses to support *their* continuously improving business processes, *their* competitiveness, their employees, *their* partners and *their* customers.

We design, build and service solutions - from chips to complex, global, multi-vendor networks - to endure, adapt and scale exactly as our customers demand.

We empower people of integrity, imagination and energy as architects *and* engineers in the creation of innovative solutions for our customers.

# Digital Equipment Corporation

## FY94/95 Business Plan

### 1.2 Strategic Focus

We design, build and service solutions - from chips to complex, global, multivendor networks - to endure, adapt and scale exactly as our customers demand.

- Ensure success of Alpha
- Ensure leadership in client/server computing
- Exploit Digital's distinct competencies to drive next-generation product and solutions demanded by the convergence of computing, telecommunications and consumer electronics

Provide the world's most creative and reliable business solutions based on leadership information technology from Digital and our partners.

Focus the use of strategic alliances to complement and accelerate our drive to profitable growth via:

- improved time-to-market
- new market entry
- global/local expertise



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We align our work to our customers' businesses to support *their* continuously improving business processes, *their* competitiveness, *their* employees, *their* partners and *their* customers.

- Re-engineer Digital's key business, technology and personnel processes to respond to customers
- Focus on information technology needs in emerging world markets

We empower people of integrity, imagination and energy as architects and engineers in the creation of innovative solutions for our customers.

Invest in people development for the 21st century:

- general management
- relationship building
- multi-cultural experience
- technology development
- negotiation and implementation



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### 2.0 External Environment

#### 2.1 World Financial and Trade Environment

Political, economic and demographic factors shape customers' needs and the problems that can be solved with the help of information technology. In the coming years, we can anticipate that fundamental changes in these factors will increase the level of market uncertainty and, at the same time, create new market opportunities.

For the period covered by this plan, JP Morgan, forecasts the following for Digital's major markets:

**US:** Consensus forecast for real GDP growth remains at 3% for the coming year. The after-inflation cost of short-term borrowing is zero which should provide a steady boost to growth. Balance sheets are continually improving. The corporate sector is benefiting most from the interest-rate decline and is leading the expansion.

**Europe:** Some forecasts of a second-half recovery are likely to be proved wrong. A highly divergent pattern of growth will remain, characterized by weaker activity in countries whose currencies comprise the European monetary union (ERM). The United Kingdom, which left the ERM last year, is the only country where a recovery is already underway and Italy, too, is performing somewhat better than average. In Germany, weakness is expected to persist, particularly in the manufacturing sector. In France, the recovery will be slow to develop.

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**GIA:** Japan's economy seems to be stabilizing, although firms have continued to cut investment plans and orders for machinery are still on a downtrend. The pickup in activity in the United States is powering an export-led recovery in Canada. Australia's recovery has been very subdued. The existence of widespread excess capacity is dampening incentives to invest. In Asia, continued strong growth, particularly in China, is providing an important offset to weakness in the industrial countries.

In summary, most of our major markets are in weak recovery, at best, with further declines still possible in Europe and Japan. It should be noted that broad economic forecasts, while useful for anticipating major swings, may not accurately reflect the behavior of an individual industry, such as information technology, in a single geographic market. However, IDC has recently lowered its growth expectations for the IT market as a whole as follows:

### Five year Compound Annual Growth (1991-1996)

	<u>Prior Forecast</u>	<u>Current Forecast</u>
US	8.4%	6.5%
Europe	8.6	6.3
Japan	13.4	7.6
Rest of World	11.6	12.1
Total	9.7%	7.2%

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### 2.2 Information Technology Outlook

**Global Market Trends:** Over the past two years, technology advances in both hardware and software have fundamentally changed the dynamics of the information technology (IT) market. The power of microprocessors has increased to the point that their performance matches mainframe technologies. In addition, increases in power and ease of use of software has broadened the base of users so that much of the computing power that used to be in 'glass houses' is now on, or within reach of, the desktop.

Together, these changes have lowered the barriers to entry, increasing competition in the low end of the market to the point that much hardware and software has become a commodity, moving through new low-cost indirect channels of distribution. This trend will continue, affecting more and more powerful machines and applications.

Meanwhile, the margin pressure which has characterized the computer industry over the past few years is spreading to other industries. Increased global competition and the continued weakness in many economies is squeezing profits. This has forced customers to re-examine and reshape their business strategies and organizational structures. The typical large organization in the future will consist of world-wide networks of self-directed teams responding to local conditions. Smaller organizations will need to link with specialized 'experts' for information or data processing.

This requires a flexible IT architecture and an array of user-oriented tools which give workers a high degree of self sufficiency. These tools are expected to promote user empowerment, through

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decision-support and easy access to enterprise and global information sources; immediate availability of information; and, effective information sharing to optimize both intra-enterprise and inter-enterprise efforts.

Some hardware and software tools to support these requirements are readily available today. Many more - customized to specific industry requirements - will be needed in the future.

These two major changes - the commoditization of hardware and software and the shift in business and organizational models - have caused a fundamental change in customer buying behavior. Customers, no longer locked into proprietary hardware and software, have split into two groups:

- those who know exactly what they want and will buy based on cost, availability, ease of doing business and/or brand recognition
- those whose business problems are so complex or who currently have expensive, 'legacy' proprietary systems and who need help in developing customized solutions.

This latter group will seek help from companies who have proven abilities in systems integration and professional services and who display clear knowledge of the customer's business.

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**Global Technology Trends:** Technological developments in the coming years, although influenced by changing customer requirements, will be based largely on the continued acceleration of computing power and miniaturization of IT devices. Key technology trends influencing the next two years include:

### Microprocessors

Performance will continue to double approximately every two years. RISC remains faster than CISC, with RISC machines maintaining a 2:1 performance lead over CISC. Intel continues to dominate the market and non-Intel architectures will survive only with high performance and a strong inertial force.

### Client/Server

The move toward client/server computing will accelerate through the decade, driven by the desire to use lower priced hardware and software and demands for improved usability. By 1995, 75% of office PCs will be connected to some type of PC-LAN, with 3.6 million PC-LANs installed worldwide (Gartner Group). The overall client/server market will total over \$160 billion in 1995, over \$20 billion of which will be for professional services (IDC).

### Software:

Customers for proprietary (traditional) operating systems are becoming dissatisfied with being locked in to single vendors. High volume general purpose 'open' operating systems have become commodities. High start-up costs are a barrier to new vendors entering the market and there is little chance for successful innovation. In addition, applications are now driving the database industry.

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### Applications:

Many more applications have become off-the-shelf commodities, with strong competition and prohibitively high barriers to entry. Small, niche competitors are developing focused, industry-specific or function-specific packages and tools. As with databases, applications are now driving hardware purchases; i.e. the customer buys the application to solve a specific business problem and buys the hardware (and supporting operating system software) on which the application was designed to run.

Customers with highly complex business problems will still require individually customized applications. Repeatable 'solution platforms' will be required to cut the time and cost of developing those applications. These platforms, which consist of common modules which can be mixed and matched, as required, provide a base on which a much smaller, customized application layer can be built.

### Services:

Commoditization of hardware and software has created changes in the traditional service business. Margins for 'break and fix' service are becoming thin as reliability of newer products increases and customers expect lengthy warranty periods. On the other hand, the growth of networks consisting of hardware and software from multiple vendors has created a new market for companies who will service all brands of equipment. In addition, some commodity vendors are 'outsourcing' their service and repair business in the same way that they outsourced manufacturing.





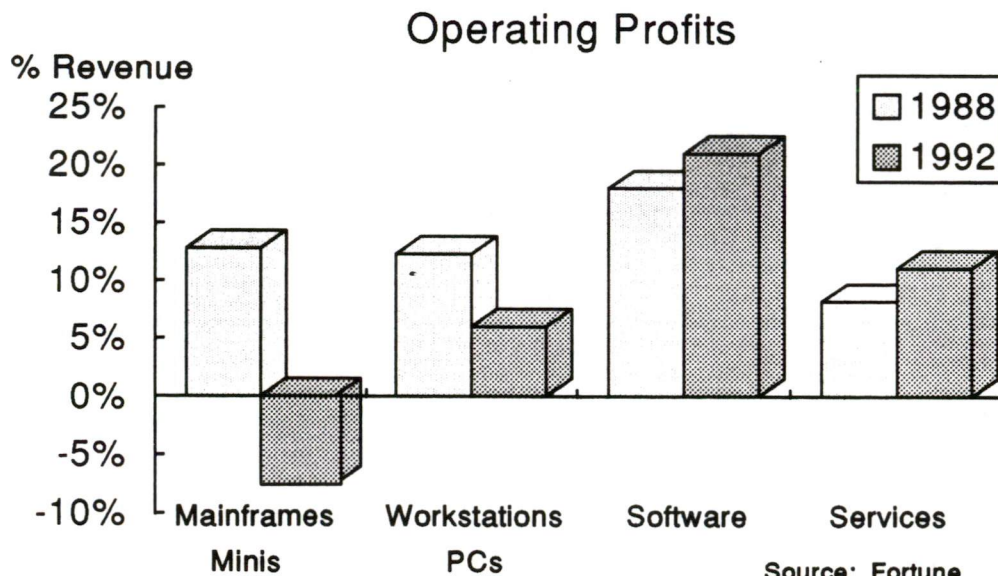
# Digital Equipment Corporation FY94/95 Business Plan

## 3.0 Competitive Environment

### 3.1 Competitive Trends

Over the past two years, much of the computer industry has been in a slump. While the world-wide recession has been a factor, the primary cause is a significant change in the industry itself. In the past, Digital, IBM and other traditional, successful systems vendors were vertically integrated - building all components of the system from basic circuitry to applications software. Since hardware and software from these companies was proprietary, customers became 'captives' and vendors enjoyed double-digit revenue growth and margins.

Microprocessors have recently caught up to larger machines in speed and are more affordable than older technology. Hardware and software are now designed to be 'open' - i.e. work with other companies' products. As a result, competition has become fierce and profits have moved away from hardware into software and services as follows:

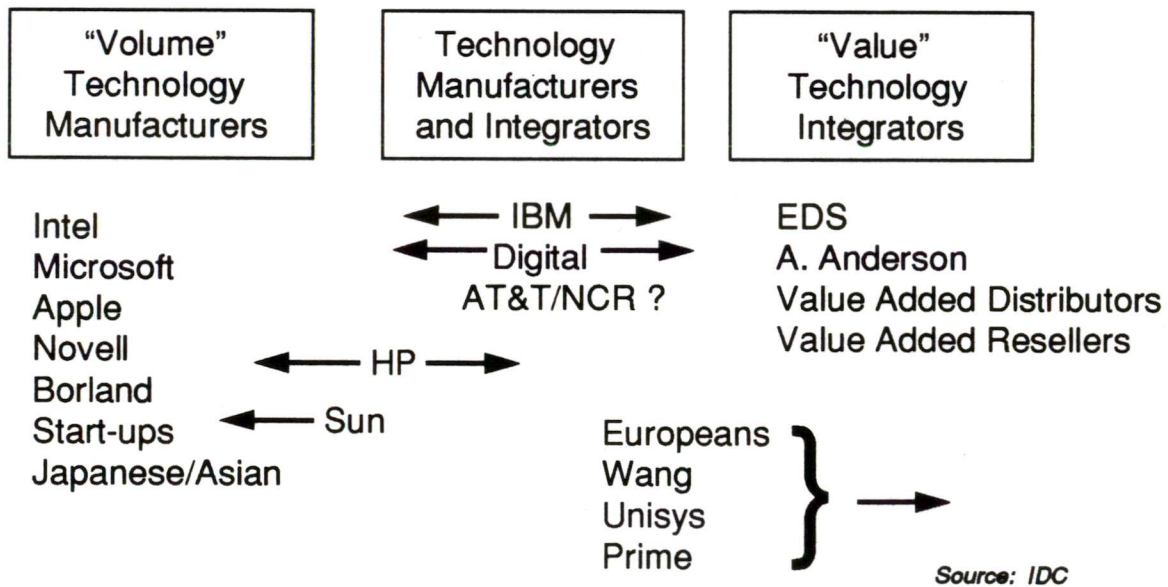


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The recent 'industry crisis', characterized by plummeting profits, flat sales and tens of thousands of jobs lost has been mostly confined to these traditional fully integrated companies. Companies which specialized in either technology 'manufacturing' of hardware or software, on one hand, or technology integration, on the other, have been less affected by the downturn.

The diagram below reflects the market response to shifts in customers' buying patterns. Traditionally, the purchase of a new platform has been interlocked with one particular set of applications and data. As customers make greater use of the information they already have, and as connectivity becomes more practical, this link is being broken: application development, data management and hardware selection are becoming distinct and a new 'value' stage has been added: aiding the customer to become more competitive.

## Computer Industry Dis-Integration



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The immediate challenge facing companies in the middle, like Digital and IBM, is how to be successful in this environment. The characteristics of the two market segments are as follows:

### 'Volume'

Capacity  
Demand-pull  
Low margins  
Market share  
Brand distribution  
Commercial alliances

### 'Value'

Capability  
Direct Push  
High margins  
Market dominance  
Value delivery  
Technology/solution alliances

As mentioned earlier, customer buying behavior on the 'volume' side is driven by cost, availability and brand recognition.

Customers on the 'value' side require industry knowledge and systems integration capability. Each requires a different business and organizational model from the IT provider. The monolithic model which was successful for many years can no longer cover both volume and value domains.

In order to respond to these changes in buying behavior, Digital has created three product-focused business units to compete in the 'volume' market segment: the Storage Business, the Personal Computer Business and the Components and Peripherals Business. Each business has been challenged to broaden the customer base for their products by developing and exploiting new channels of distribution.

Likewise, five Customer Business Units have been created to compete in the 'value' segment of the market. These business units have been chartered to develop focused sets of solution platforms

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for their industry group utilizing consultative selling and the professional service organization to provide the systems integration and custom solution support required. In addition, they are expected to protect traditional sales of hardware and software products to their industry, improving profitability while, at minimum, maintaining market share.

Cutting across both segments of the market, the Multivendor Customer Service Business is expected to continue to provide profitable services to the installed base while expanding their market through servicing equipment from other vendors.

### **3.2 Competitive Position**

Digital has strengths which position us well to benefit from the changes in the IT industry:

- our Alpha technology is a clear industry leader
- we have demonstrated capability in professional services to provide our customers with the business and systems integration they require
- our Multivendor Service capabilities are well-respected allowing us to penetrate new customers with mixed networks and the emerging outsourcing market
- our partnerships with other companies for technology, specialized applications or distribution channels, will leverage our capabilities at lower cost.

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In addition, the new organization structure, which reflects changed customer requirements, has resulted in a plan in which:

- the 'volume' business units show increased market share
- the 'value' business units show improved profitability while maintaining market share
- the Multivendor Service Business maintains profitability on a declining base of traditional business and expands into new markets.

### **3.3 Emerging Opportunities and Competitive Threats**

The convergence of computer and communications technologies will shape the IT market of the future. The growth in hand-held computing devices has the potential to expand the IT market by making computers available to those whose mobility make utilization of computers difficult today. Pen technology and voice recognition will make computers accessible to almost anyone and wireless communications will allow these devices to be connected into LANs and corporate data bases.

Large investments are currently being made by present and future competitors in expectation of this change. These investments are in personal communications devices, wireless LANs, mobile computing networks, the microprocessors which will power these devices and networks and the infrastructure which will support them.

Alliances are rapidly being formed to exploit various segments of what is perceived as a large, long-term opportunity. This opportunity reflects a shift in underlying competitive dynamics - the expected convergence of computers and communications.



# Storage Business Unit FY94/95 Business Plan

## 1.0 Executive Summary

### 1.1 Business Unit Identification

Storage designs, manufactures, and markets high performance Storage solutions for Digital Systems, Digital and non-Digital after-market, and the OEM market. Mass Storage is a vertically integrated business, forecasted to contribute in excess of \$1.6B of NOR equivalent revenue for FY93 (\$1.0B at IBP/NOR) of which the add-on and OEM business (about \$180M) are a significant and growing portion of the business.

The Storage Business Unit includes three sub-segments: Subsystems/Video Image Servers, Tapes and Disks, and the Heads Business.

### Mass Storage Strategic Hierarchical Business Model

Figure 1

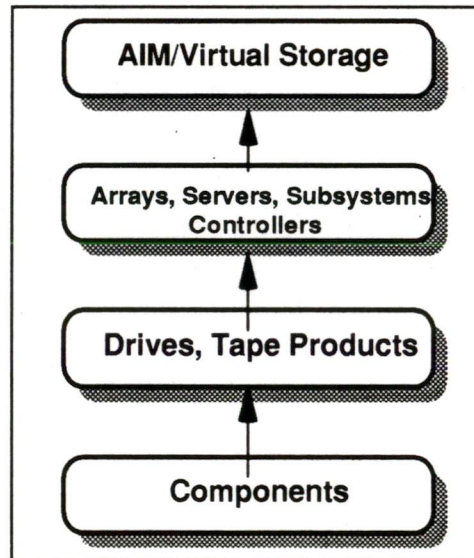
#### Market Characteristics

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

## FY94/95 Business Plan

### 1.2 Customer Needs and Business Opportunity

The Storage customer base includes the Digital Customer and Product Business Units, distributors, and value added resellers, and OEM manufacturers.

All Storage customers expect to buy storage products which have competitive functionality and pricing, "money back guarantee", competitive warranty and service, and high quality and predictable supply. The opportunity for growth on the Digital platforms and non-Digital platforms is through selling through direct merchandising (DMO), distributors, and value added resellers.

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

### 1.3 Industry Trends/Target Markets

Storage makes up over 20% of systems revenue. The target market for the Storage Business Unit includes world wide microsystems (\$0 - 25K); midrange systems (\$25K - 700K), and large systems (\$700K+) embedded and independent storage options. In addition, Storage is targeting the thin film heads merchant market with inductive and magneto resistive heads.

# Storage Business Unit FY94/95 Business Plan

	Target Market			
	FY93	FY94	FY95	CAGR
<b>Market Size:</b>				
On-base Total	\$1.7B	\$1.8B	\$2.0B	9%
Target	\$1.7B	\$1.8B	\$2.0B	9%
Off-base Total	\$25.2B	\$28.7B	\$30.9B	11%
Target	\$3.1B	\$4.9B	\$7.2B	52%
<b>Market Share:</b>				
On-base Total	\$1.4B	\$1.5B	\$1.7B	
Target	80%	82%	85%	
Off-base Total	\$180M	\$630M	\$1300M	
Target	6%	13%	18%	
<b>Revenue:</b>				
@NOR	\$1.6B	\$2.1B	\$3.0B	
@IBP/NOR	\$1.0B	\$1.5B	\$2.4B	

The key competitors for the Storage market include Read-Rite, AMC, Seagate, Dastek, IBM, HP, Micropolis, Quantum, Exabyte, Archive, STK, and AT&T.

### Key Industry Trends:

- Multivendor systems solutions is a key requirement resulting in standard storage solutions interconnect to multiple systems platforms using both proprietary and industry standard operating systems.
- System managed storage with high performance, high availability, unattended backup will be mandatory.
- Dedicated storage servers will provide storage functions for many existing and new applications (e.g., Video Imaging)
- The dominant form factor for disks will be 3.5" for the desktop, pedestal and cabinet systems; 2.5" will be used primarily for portables; 5.25" will be used for "bulk storage" at the upper end of midrange and large systems.
- There will be continued Storage electronics and magnetics technology advances that will decrease cost per megabyte and thereby price per megabyte.

# Storage Business Unit FY94/95 Business Plan

## 1.4 Storage Business Unit Key Strategies

The Storage Business Unit's fundamental strategies are:

- Leverage technology portfolio into leadership products
- Grow the business by "winning" Digital and OEM design-in storage and fully exploiting the distribution channels
- Aggressively market "Storage Works" array and subsystem strategy
- Position Storage for future growth in emerging markets -- Storage Management and Video Imaging

### How Storage will "Win"

Exploit	Fix/Counteract
<p style="text-align: center;"><b>Strengths</b></p> <ul style="list-style-type: none"> <li>* Technology</li> <li>* Design Team Expertise</li> <li>* Time to Market</li> </ul>	<p style="text-align: center;"><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>* Business practices and "best in class" execution</li> <li>* Manufacturing Cost</li> <li>* Time to volume</li> </ul>
<p style="text-align: center;"><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>* Digital Off-base - OEM/Distributor Sales</li> <li>* Distributor/VAR sales Off-base</li> <li>* Digital Installed base after market</li> </ul>	<p style="text-align: center;"><b>Threats</b></p> <ul style="list-style-type: none"> <li>* Seagate</li> <li>* Read-Rite</li> <li>* Ourselves</li> </ul>

# Storage Business Unit

## FY94/95 Business Plan

### 1.5 Resource Requirements

Key internal to Digital dependencies including:

- Working with Central Engineering to establish integrated systems with Storage on behalf of the CBU's
- Operating systems groups (VMS, OSF, NT) coordination
- Implementing business practices which allow Storage to compete in an OEM environment

Dependencies on other Business Units/Functions

- Operating systems groups (VMS, OSF, NT)
- Storage management software
- Supply chain (cost competitive components and logistics, predictability, and competitive service level agreements)



# Personal Computer Business Unit

## FY94/95 Business Plan

### 1.0 Executive Summary

#### 1.1 Business Unit Identification

The Personal Computer Business Unit (PCBU) is the lead organization for Digital's participation in the high-growth microcomputer market. The PCBU is uniquely responsible for the design and marketing of all Digital Intel based PCs. The Business Unit is also responsible for the business management and marketing of Alpha based PC products in the PCBU's channels. 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.

#### 1.2 Business Opportunity Assessment

The PCBU's target market is all business, government, scientific, education, and home office PC buyers worldwide, with an initial focus on medium-large business and public sector purchasers. The size of this overall market (manufacturers' revenue) in early 1993 is approximately \$70B globally, \$25B in the United States.

#### 1.3 Competitive Environment

Digital has grown from the 22nd-largest manufacturer of PCs in the United States to the ninth between January 1992 and January 1993, with between 1% and 2% market share. The leading PC companies -- IBM, Compaq, and Dell -- are forcing consolidation of second-and third-tier competitors by eliminating product price/performance gaps and improving availability, service, and delivery levels.

#### 1.4 Customer Description

Digital's installed account base is the PC Business Unit's largest current customer group. The requirements of these customers are similar to those of the broader target customer group:

- reliable, high-quality PCs with competitive price/performance levels
- readily available service and support
- short delivery times for latest technology machines
- increasing need for integrated PC network and software solutions

# Personal Computer Business Unit FY94/95 Business Plan

## 1.5 Business Strategies

The top three strategies of the PCBU are:

- offer a full line of standard and premium machines
- penetrate new indirect channels
- dramatically reduce cost to permit pricing at parity with winning competitors.





# Components & Peripherals FY94/95 Business Plan

## 1.0 Executive Summary

### 1.1 Business Unit Identification

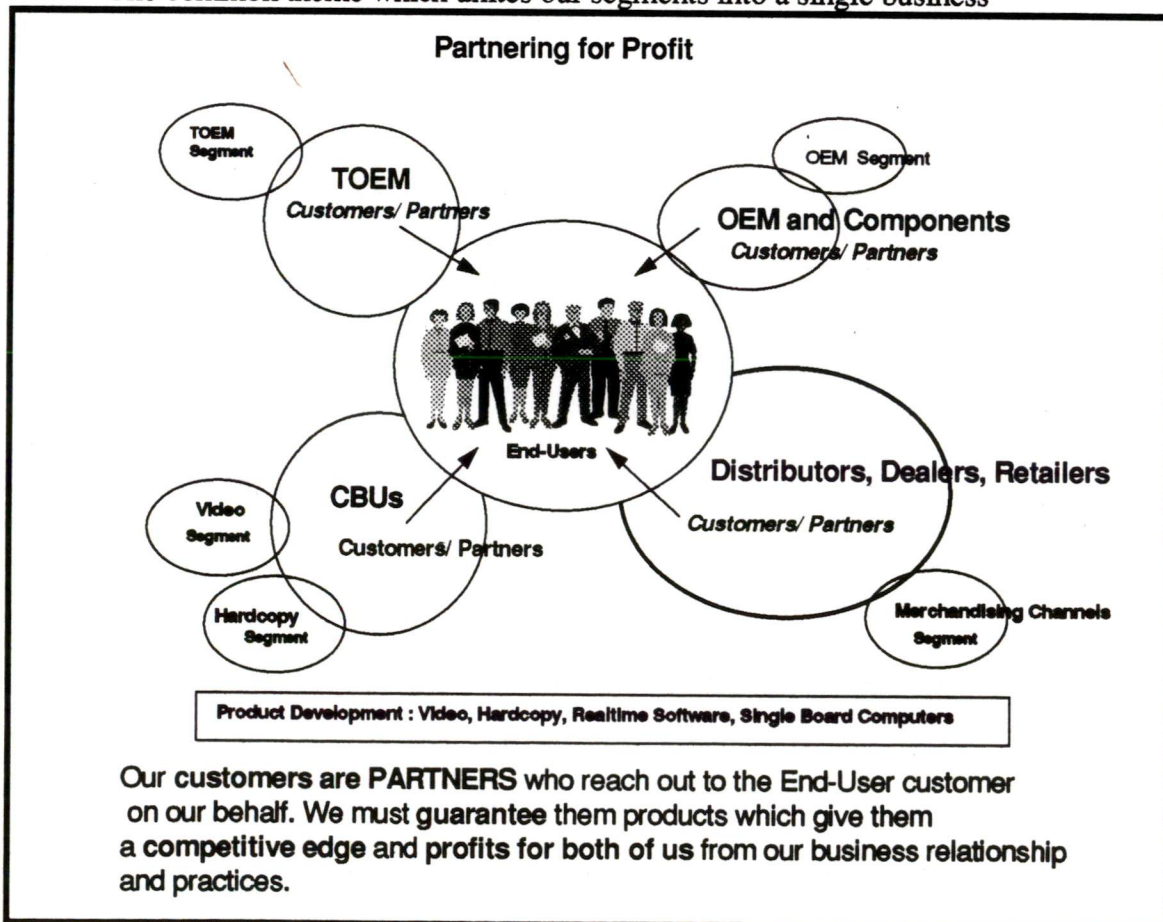
We have a clear mission:

Achieve benchmark profitability while increasing market share of Digital's commodity-like products through focused indirect channels. Digital's market share is 6% of the IT market. C&P will focus on incrementing the other 94% of the market.

Drive Technical OEM business. Manage a cross-functional focus to enable continued growth and profitability.

Our goal is to increase, within three years, Digital's overall market share by 1% through C&P's efforts alone, resulting in C&P revenues in excess of \$2 billion.

**Charter : reach the other 94% of Market through Indirect Channels**  
The common theme which unites our segments into a single business



# Components & Peripherals FY94/95 Business Plan

## 1.2 Customer Needs and Business Opportunity

### Key Characteristics of our customers:

All our customers : Technical OEMs, OEMs, Distributors, Wholesalers, Retailers and the Customer Business Units (CBUs) are business people who resell our products to their customers. They all must meet their customers' needs, make a profit and grow their own businesses. They all share the following requirements:

### Key Requirements of our customers:

1. **Best -in-class products** , which will draw and hold their customers . These products must be non-proprietary, very reliable, easy to install and use, priced competitively with technological leadership.
2. **No-nonsense business practices:**
  - a. Simple and consistent pricing and discount structures
  - b. Technology and engineering support especially for TOEM and OEM customers
  - c. Product training, information and support
  - d. Adaptable terms and conditions which acknowledge their business needs
3. **Demand creation programs** to help them build a loyal customer base eager to buy Digital products.

**Business Opportunity** : by addressing the needs of our customers/partners we can open markets for Digital which are now dominated by competitors such as Sun Microsystems, Hewlett-Packard, Cisco and NCD who use indirect channels effectively. We can move select products which meet our customers'/partners' requirements into the broader, "open" market ,capture market share and significantly grow revenue.

## 1.3 Competitive Environment

1. Overcome competitors already in channels

### *C&P Response:*

- *Find new ways of doing business in indirect channels and develop new resellers worldwide*

2. Brand recognition and Digital awareness is needed

### *C&P Response:*

- *Invest in demand pull programs to create brand recognition*

# Components & Peripherals FY94/95 Business Plan

## 3. Quality and reliability are expectations

*C&P Response:*

- *Industry leader in best-in-class products*

## 4. Price and margin sensitivity for Reseller partners

*C&P Response:*

- *Offer **select** products : benchmark costs, technology leader, competitive prices, easy to use*
- *High volumes, growth in market share will help keep us ahead of the price curve*
- *Streamline Business practices to save partners time and money*

## 1.4 Business Strategies

. **Demand Creation:** produce pull marketing programs and product advertising to create brand recognition.

2. **Open Products for Open markets:** Design and promote Generic Terminals (directly competing and winning against Wyse), PrintServers for networked PCs, Network devices (hubs, routers, gigaswitches), and UNIX workstations.

3. **Pricing:** develop simple and consistent list pricing and discount structure for all products which flow through C&P channels.

4. **Deploy Design Win Teams** using the competitive advantage of Alpha to secure new TOEM business.

5. **Train and support Sales Specialists**, our Warriors, worldwide, goaled to increase market share of Digital's Terminals and Print System products

6. **Develop and promote responsive business practices** throughout the Supply Chain to meet the needs of all customers in all channels.

## 1.5 Resource Requirements

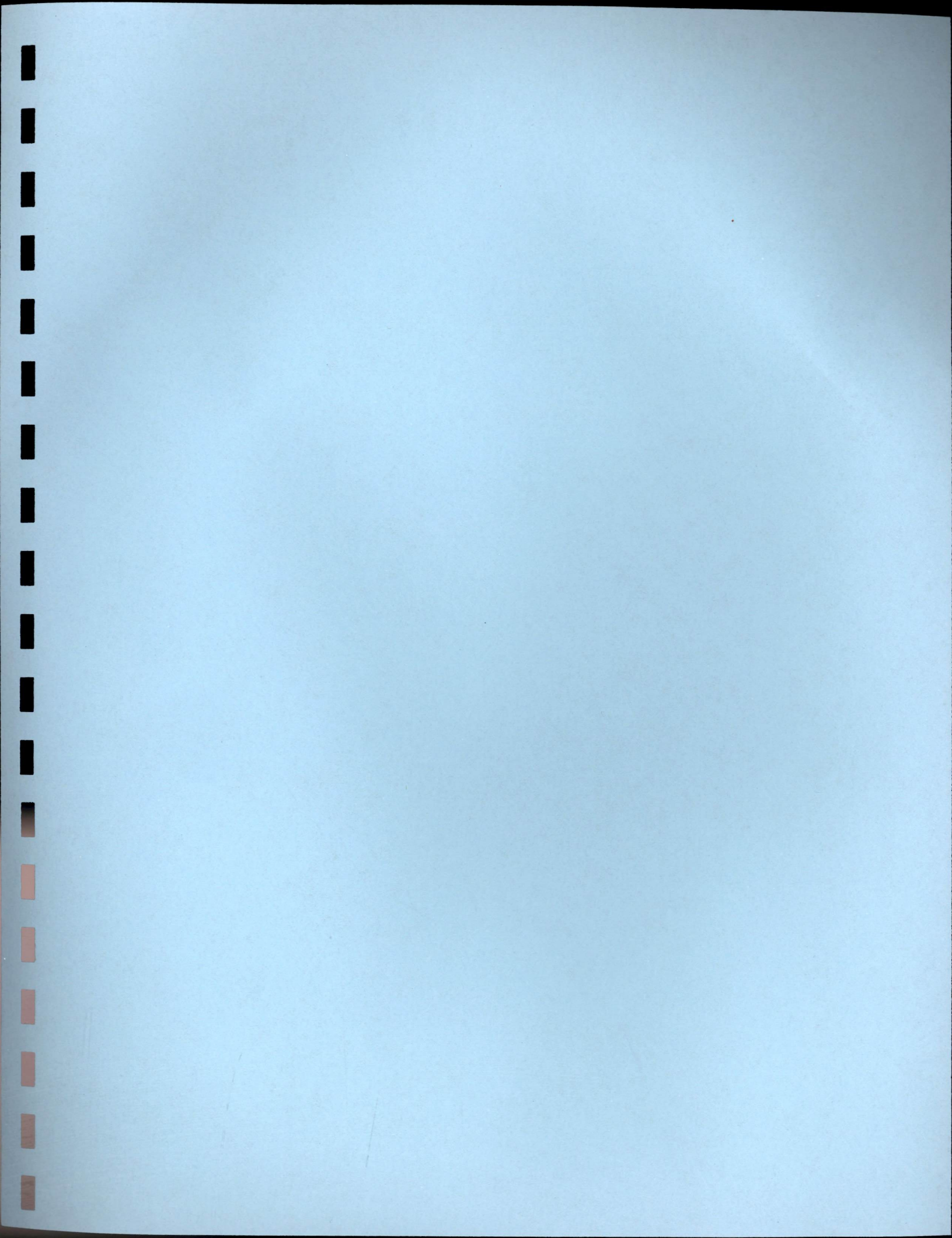
**Strategic Alliances:**

Manage the strategic alliance with Olivetti on behalf of the Corporation. Our goal is to leverage Alpha products profitably.

**Human Resources:**

# Components & Peripherals FY94/95 Business Plan

Create and inspire a collaborative, global work force, with clear vision, focused on results, channeling its creativity and energy directly to our customer base to build Digital's market and profitability.



# Multivendor Customer Services FY94/95 Business Plan

## 1.0 Executive Summary

### 1.1 Multivendor Customer Services Business Unit

MCS focuses on Information Technology (I.T.) services involving installation, repair, support, and interoperability of Digital and non-Digital hardware, software and network products. We will meet customer needs for total multivendor service solutions with added-value services such as personal computer integration and system management services. MCS will leverage Professional Services' outsourcing and systems integration activities with quality, cost-effective multivendor product service solutions.

### 1.2 Customer Needs and Business Opportunity

MCS' customers are large, medium, or small/individual enterprises throughout the world. They include Digital's existing accounts (using Digital and non-Digital computing products) as well as targeted accounts with no Digital product or service presence.

Our customers place high value on multivendor service solutions. Their computing environments depend on a widening mix of different vendors' hardware, software and network products that all must work (and evolve) together reliably, often in global operations. Customers want a single service provider for their entire system environment, a partner that will help them stay focused on their key business challenges by providing service solutions tailored to their computing environment and global business needs. Their buying decisions are based on how well service offers fit their needs, with responsive terms and conditions; how cost-effective the solution is; and demonstrated technical, logistical, and operational service competencies.

### 1.3 Competitive Environment

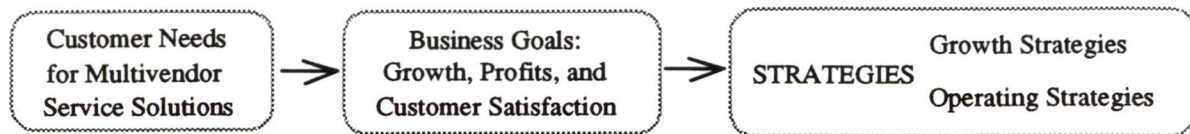
The overall product services market is \$101 billion and growing 9.5% per year. Digital has a 54% share of the \$ 7 bil traditional Digital products services sector; however, this traditional sector is rapidly eroding due to technology improvements and the migration to commodity products. In the large and expanding multivendor, added-value services sectors, Digital has established a 5% share position within Digital's current base of accounts, and is beginning to address "off-the-base" opportunities.

Among Digital's systems competitors, none has yet established a strong multivendor service business. H-P is showing the most intention; IBM and Olivetti are also engaged in multivendor services. The independent servicers such as Bell Atlantic and Granada are all less than \$.5 bil in revenue. This dynamic competitive environment warrants continuous monitoring but in general, is favorable for Digital MCS continued expansion.

# Multivendor Customer Services FY94/95 Business Plan

## 1.4 Business Strategies

MCS' strategic focus is on developing new multivendor and "off-the-base" service business in order to offset erosion of the Digital proprietary service base. Customer needs drive our business goals and strategies, which are summarized in the following chart:



### MCS Growth Strategies:

- Expanded product coverage
  - Vendor partnerships
- New Services
  - Personal computer integration services
  - System management services
- New Accounts
  - MCS specialty sellers
  - Customer Business Unit seller support
  - Targeted system integrator partnerships
  - Targeted MCS re-sellers
  - Gold Key indirect channels program
- Installed Base Protection
  - MCS base sellers
  - Administration re-engineering

### MCS Operating Strategies:

- Service Creation
  - One worldwide service menu
  - Service packages for targeted markets
  - Service pricing strategy
- Customer and Partner Engagement
  - Market conditioning campaigns
  - All-channels sales strategy
  - Targeted vendor partnerships
  - Global bid process
- Service Fulfillment
  - One worldwide service delivery model
  - Brand-independent serviceability standards
  - Managed release process
  - "Few Places" work and "Many Places" work
  - Technical support close to the customer
  - Supplier network for multivendor partners
  - Product data for electronic access
  - Global product management
- Customer Administration
  - Single set of worldwide information applications
  - Re-engineering of customer administration processes
- Business Architecture
  - Business management segmentation
  - Merge DEE with "Digital Product Services" in Europe
  - Business Unit / Territory model

# Multivendor Customer Services FY94/95 Business Plan

## 1.5 Resource Requirements

Strategic partnerships are key to MCS growth. We are implementing two interrelated strategies involving relationships with external vendors of computing-related products and services: Linking our services with the vendor's sales to gain access to more markets, and establishing service capability for more vendor products to expand the scope of multivendor opportunities we pursue. Acquisitions or joint ventures may at times be expedient but they are not our primary strategy.

MCS' worldwide workforce is our competitive strength. We are undertaking initiatives to redesign the work of MCS, and we are developing staffing plans, including transition plans. We will emphasize an environment of shared values, purpose, and diversity, and employee communications.





# Financial, Professional & Public Services FY94/95 Business Plan

## 1.0 Executive Summary

The mission of the Financial, Professional and Public Services Customer Business Unit (FPPS CBU) is to integrate profitably our industry knowledge with customer-required solutions for our market segments. We will focus on key added-value applications and leverage our global service capability with leadership core information technologies.

### 1.1 Business Unit Identification

The FPPS CBU develops, markets and delivers a superior set of solutions for the following market segments:

- o Financial Services: Consumer Banking, Capital Markets, Corporate Banking, Insurance
- o Professional Industries: Architecture, Engineering, Construction, Real Estate and Property Management Software and Computer Services Law firms, consultants, accountants
- o Public Administration: Civilian agencies in national, provincial, state and local governments.

### 1.2 Customer Needs and Business Opportunity

The business opportunity for FPPS is providing our customer base their competitive edge through information technology. This client base covers the entire service sector: financial institutions, professional services organizations and governments. The solutions that will make them competitive will also make FPPS competitive.

Our customer base ranges from national governments to town halls, from worldwide financial institutions to two-person private banks, from worldwide software houses to 50-person legal offices. The diversity of this market requires FPPS to use all available channels, which include small, medium, and large End Users; Value Added Resellers (VARs); Developers; System Integrators (as end users); and Government Prime Contractors.

# Financial, Professional & Public Services FY94/95 Business Plan

The top three requirements of our customers are:

- o Applications and technology solutions that are industry-focused with leadership price/performance.
- o Industry expertise to provide clients with ways to use IT to fulfill business requirements and solve business problems.
- o Superior systems integration capabilities.

FPPS customers expect their suppliers to understand the nature of their business problems from an insider's perspective and to creatively apply technological expertise that addresses their problems with the most effective combination of quality products and services.

## 1.3 Competitive Environment

The opportunity of our total target market is \$64B. Our current position approximates 4% market share. The chart below depicts our competitors by market segment.

	Financial Services	Professional Industries	Public Administration
Systems Integrators	AC, EDS, PW	LAN VARs, PW	EDS, CSC, "Nationals"
Traditional Computer Companies	SUN, IBM, HP	SUN, HP, INTEL, Apple	HP, Unisys, IBM
Industry-Solution Providers	Reuters, NCR	HP, Silicon Graphics	PRC, CSC, SAIC

Our competitive advantages include leadership technology and price/performance, in-depth knowledge of our customers' business problems, quality solutions and global/local presence and delivery capability.

# Financial, Professional & Public Services FY94/95 Business Plan

## 1.4 Business Strategies

The FPPS strategy is to develop and profitably deliver solutions that meet our customers' needs in targeted, strategic market segments.

The cornerstones of the new strategy are:

- o Do the Whole Job - Depending on the customer's needs, provide and manage complete, integrated IT projects that include consulting work, process re-engineering, systems design, network design, systems integration, hardware, systems software, applications software, installation, support and service, and facility management.
- o Understand the Customer's Business - Through hiring and acquisitions, we will build a solid understanding of all aspects of the business, and how that business is best supported by means of information technology.
- o Provide the Latest in Computer Technology - Ensure that the customer can run applications on state-of-the-art open client/server technology and architectures, and offer the best price/performance and investment protection.
- o Supply Unique Added Value - Give our customers a competitive edge in key business areas by offering application software and application platform software (in-house developed and partner-developed), based on our client/server strategy.

### Digital-Developed Solutions

- retail banking
- trading
- private banking
- postal
- law enforcement
- practice management
- customer service platform  
(workflow/image/office)

### Partner-Developed Solutions

- retail
- stock exchanges
- trading
- trust/custody
- payments
- government information systems

# Financial, Professional & Public Services FY94/95 Business Plan

## 1.5 Resource Requirements

In order to succeed in our marketplace, we will employ an integrated approach to the utilization of the resources identified below.

- o Alliances and partnerships
- o Engineering resources to develop strategic applications
- o New sales delivery models
- o CBU staffing requirements/skills mix
- o Best in class product and service pricing
- o Global/seamless delivery expertise
- o Global professional service and multivendor service expertise
- o Continuation of high quality corporate branding



# Discrete Manufacturing and Defense FY94/95 Business Plan

## 1.0 Executive Summary

### 1.1 Business Unit Identification

Discrete Manufacturing and Defense is a \$2 Billion Customer Business Unit providing world class solutions and information technology platforms to customers in the following market segments:

- Automotive and General Discrete
- Electronics
- Aerospace
- Defense and Intelligence agencies

Digital's historically strong position in these market segments has been eroding since FY88, declining 12% per year. We are rapidly acquiring the products, partners, and the industry/customer focus required for a dramatic turnaround during FY94 and FY95. Full product availability and effective execution will enable us to match or exceed market growth rates by Q3 of FY94 and to reduce our operating loss by \$150 Million in FY94, achieve break even by Q2 FY95, and industry best profitability and share growth in succeeding quarters.

### 1.2 Customer Needs and Business Opportunity

Our industrial customers such as Siemens, Bosch, and General Electric tend to be large multinational manufacturers who are faced with the same competitive challenges that Digital is dealing with in our own operations.

- How to achieve dramatic reduction in time to market for new products.
- Integration of their supply chains for asset improvements.
- Cost reduction in manufacturing and logistics.
- More effective customer service.
- Improved effectiveness and efficiency of their Information Technology infrastructures.

The severe competitive pressures they are encountering create major opportunities for us to help the customer re-engineer their core product development and supply chain business processes and improve their Information Technology operations through downsizing of their mainframes, integration of their desktops, and rapid deployment of new applications.

# Discrete Manufacturing and Defense FY94/95 Business Plan

Customers who are purchasing hardware and software begin with a choice of application software making it crucial for us to have strong partnership with the key application providers. Then they choose the computer platform which must be open (usually meaning UNIX) and leadership in performance, price/performance.

Our large Defense customers such as the U.S. Navy and Air Force demand UNIX, high levels of data security, ruggedized platforms, and leadership performance, price/performance. Defense agencies around the world are looking for "force multiplier" leverage as their divisions, squadrons, and fleets are downsized. This provides opportunities for us to provide information technology that will enhance training efficiency and command/control effectiveness.

## 1.3 Competitive Environment

The world wide Information Technology Market for our Segments is approximately \$54 Billion growing at 3% per year. While much of that market is served by us we will focus most of our resources on selected targets within that market in order to grow and return to profitability.

The targets where we will achieve a #1 or #2 market share are as follows:

### 1. UNIX Platforms

- \$5 Billion market growing more than 20% per year in our segments. Overwhelming choice in engineering departments and increasingly on the factory floor as customers abandon proprietary systems.
- Sun Microsystems, H.P., and IBM each have 20 - 30% shares of the UNIX market in our segments.
- We have 1% share, \$50M in FY93, which we will grow to \$300M in FY94 and \$700M in FY95 capturing more than 10% of the market. This will come primary out of Sun's installed base. Their products are not competitive with Alpha AXP and we will have the key applications to grow our workstation and server volumes dramatically with a direct marketing attack on their base.



# Discrete Manufacturing and Defense FY94/95 Business Plan

## 2. Professional Services/Solutions

In the second area of focus, we will grow our high value added professional service business by providing solutions to core business problems in manufacturing, sales and logistics, product development, and secure networks.

- These markets aggregate to \$6 Billion in annual sales of consultancy and associated software and hardware and are growing at 25% per year.
- Key competitors are IBM, EDS, "BIG 6" accounting firms, CAP Gemini, CSC, and more recently H.P.
- We are strong in narrow niches such as shop floor in semiconductor companies in Japan or manufacturing companies in Germany and Italy.
- By transferring our successes to customers in other selected territories and industry segments we will grow this business from \$300 Million today to \$600 Million by FY95.
- Our key differentiators:
  - We are a manufacturer. (BIG 6 aren't)
  - We are global. (EDS, isn't)
  - We have strong track record in systems integration projects. (H.P. doesn't)
  - We have absolute leadership in the integrative tools that enable multi-vendor, multi-application connectivity in customer operations. (IBM and the others do not)

## 3. Medium-Sized Manufacturing Companies

We will grow our share of the medium-sized manufacturing company market worldwide. These companies represent the fastest growing customer segment in all of our Territories, providing opportunities for UNIX, platforms (e.g. Alpha), services, and added-value software. In FY94, we will address customers who are suppliers to our larger accounts. We will work with an appropriate mix of direct and indirect channels (including Value Added Resellers).

Summary: The total industry market our Business Unit serves is \$54 Billion growing at 3% per year. Our FY93 revenues are approximately \$2 Billion. We will continue to serve the broad market but we will focus most of our resources on the target markets of UNIX Platforms and selected Professional Services. These target markets represent \$11 Billion of the total \$54 Billion market and are growing at over 20% per year.

As a result of this focus, our revenues in the target UNIX and Professional Services markets which are \$350M in FY93 will grow to \$700M in FY94 and \$1.4B by FY95 driving our share of the target market from 3% today to 9% in FY95, with a compounded annual growth rate of 100%.

# Discrete Manufacturing and Defense FY94/95 Business Plan

## 1.4 Business Strategies

- **Absolute commitment to regain leadership in the platform business by:**
  - Accelerating the availability on Alpha AXP of the 60 key UNIX applications for our markets (full availability no later than 12/30/94) and create strong field selling partnerships aimed at becoming a larger share of each partner's business.
  - Through effective marketing communication change the current perception from Digital as the risky UNIX choice to the preferred UNIX choice.
  - **Result: Grow UNIX workstation and server revenue from \$50M in FY93 to \$300M in FY94, \$700M in FY95.**
  
- **Grow high value transferable solutions business by creating solution selling and delivery teams in targeted industries and selected territories.**
  - Integrated Product Development in Japan Electronics and Discrete, U.S. Aerospace, Europe Automotive.
  - Manufacturing Operations in Semiconductor companies in South Korea, Japan, U.S.; Automotive, Machinery, in U.S., U.K., Germany, Italy, Spain, France, Asia and Australia; Aerospace in U.S. and selected European Territories.
  - Supply Chain Integration in Electronics in U.S. and selected European Territories; and in Automotive companies.
  - Technical Computer Aided Software Engineering in Defense, Aerospace, and Electronics.
  - **Result: Double our targeted Professional Services Revenue in two years from \$300M to \$600M.**
  
- **Implement the business practices required to cut Selling and General Administrative expense and increase direct sales yields.**
  - Integrated high performance solution selling and delivery teams.
  - Packaged solutions and value added reseller partnerships aimed at cost efficiently growing our business with small and medium size companies.
  - Aggressive development of indirect channels for sales and delivery of much of our platform business currently sold directly.
  - Global business practices to support multiterritory accounts.
  - Effective leverage of horizontal Digital campaigns and competencies (e.g. Computer Downsizing, Network Integration).
  - **Result: Selling and General Administrative expenses cut from 40% of net operating revenue in FY93 to 26% by FY95.**

# Discrete Manufacturing and Defense FY94/95 Business Plan

- **Execuational Excellence**
  - Focus entire organization on top five high leverage actions.
  - Flat, agile, customer driven structure. (No more than 4 layers from customer account manager to corporate CBU manager).
  - Clarity of goals and accountabilities. Every person knows what they have to do for us to win.
  - Operational, profit making mentality (make the numbers daily, weekly, monthly).
  - Use of trigger points and contingencies to manage the business proactively.
  - No excuses management.
  - **Result: Achieve the plan.**

## 1.5 Resource Requirements

- 300 - 500 Alpha AXP demonstration units and cooperative marketing money for top 60 application partners.
- Product development resources for key integration tools and services (NAS/messaging for multi-vendor networks, BASEstar, FABstar, Power DM, MRM, etc.).
- Information system required to run the business.
- Aggressive UNIX marketing campaign
- Marketing support for top five Professional Service solutions.
- Leadership of the Territory Channels Management Teams to develop the business strategy, organizational model, and skilled resources needed to execute the UNIX/CSO strategy and the shift of the platform business to an indirect channel strategy.
- Effective alignment of key Industry and Solution expertise to be completed in Q1/Q2.
- Support of the Human Resource function for the selected acquisition of world-class industry expertise by the end of Q1 FY94.
- Investment in Alpha/UNIX training initiative during Q1 directed toward our key 60 partners and 1500 worldwide selling resources.



# Communication, Education & Media FY94/95 Business Plan

## 1.0 Executive Summary

### 1.1 Business Unit Identification

CEM focuses our market segments on understanding and meeting customer needs by profitability providing leading IT solutions and products and maximizing the synergy across our market segments. These include Communications, (wireline and wireless public network operators and equipment manufacturers), Education (primary, secondary, and higher education, libraries and researchers) and Media (cable, advertising, newspapers, publishers, broadcasting and theme parks). An example of the synergy between our market segments is the joint development and marketing of Video on Demand (VOD) with telephone companies (RBOCS) and Time Warner.

### 1.2 Customer Needs and Business Opportunity

Our business opportunities are based on meeting the needs of our customers, who are experiencing:

- Increased pressure on costs.
- Threats from emerging global competitors.
- Inefficiency of embedded systems.
- Unsatisfactory information archiving and access.
- Erosion of quality and organizational ineffectiveness.
- Increased competition through time-to-market and customer service.

Each of these creates an opportunity for Digital to respond by understanding the individual businesses and needs, anticipating changing requirements and proposing imaginative solutions.

### 1.3 Competitive Environment

The nature of competition is rapidly changing in our markets. Alliances between competitors are resulting in innovative products and services, and challenging the traditional boundaries between industries.

To compete successfully in this dynamic environment, CEM is positioning itself as a focused vendor of targeted, low cost, high quality products and solutions. We will have an in-depth understanding of our customers and fast time-to-market. We will build upon Corporate strengths in systems integration, world-wide business capabilities and networking.

The profiles of our target markets range from price and volume sensitivity (Education) to high value, unique solutions (Telecommunications). We intend to build on the core strengths described above, while distributing products and services to customers through the most efficient channels. Alpha AXP plays an important role in our plans. For example, Alpha gives us a competitive advantage in meeting the high performance technical computing needs of academic and research institutions. To date, these customers account for the largest proportion of Digital's Alpha AXP workstation business.

# Communication, Education & Media FY94/95 Business Plan

In FY94, CEM will have a 11.3% share of our target market, which is \$13.6B in size.

## 1.4 Business Strategies

CEM will improve our customers' results by reducing their costs, re-engineering their internal operations and improving their access to information. This will be accomplished by:

- Developing, and owning where possible, a portfolio of key products and solutions.
- Driving revenue and market share growth.
- Maintaining an industry-focused, technically capable sales force.
- Improving systems integration capabilities and practices including:
  - Worldwide network of delivery resources
  - Program management excellence.
  - Value pricing.
- Committing to quality as perceived by the customer.
- Focusing our partnership/alliance strategy.
- Providing clear, consistent marketing messages.
- Using global business practices.

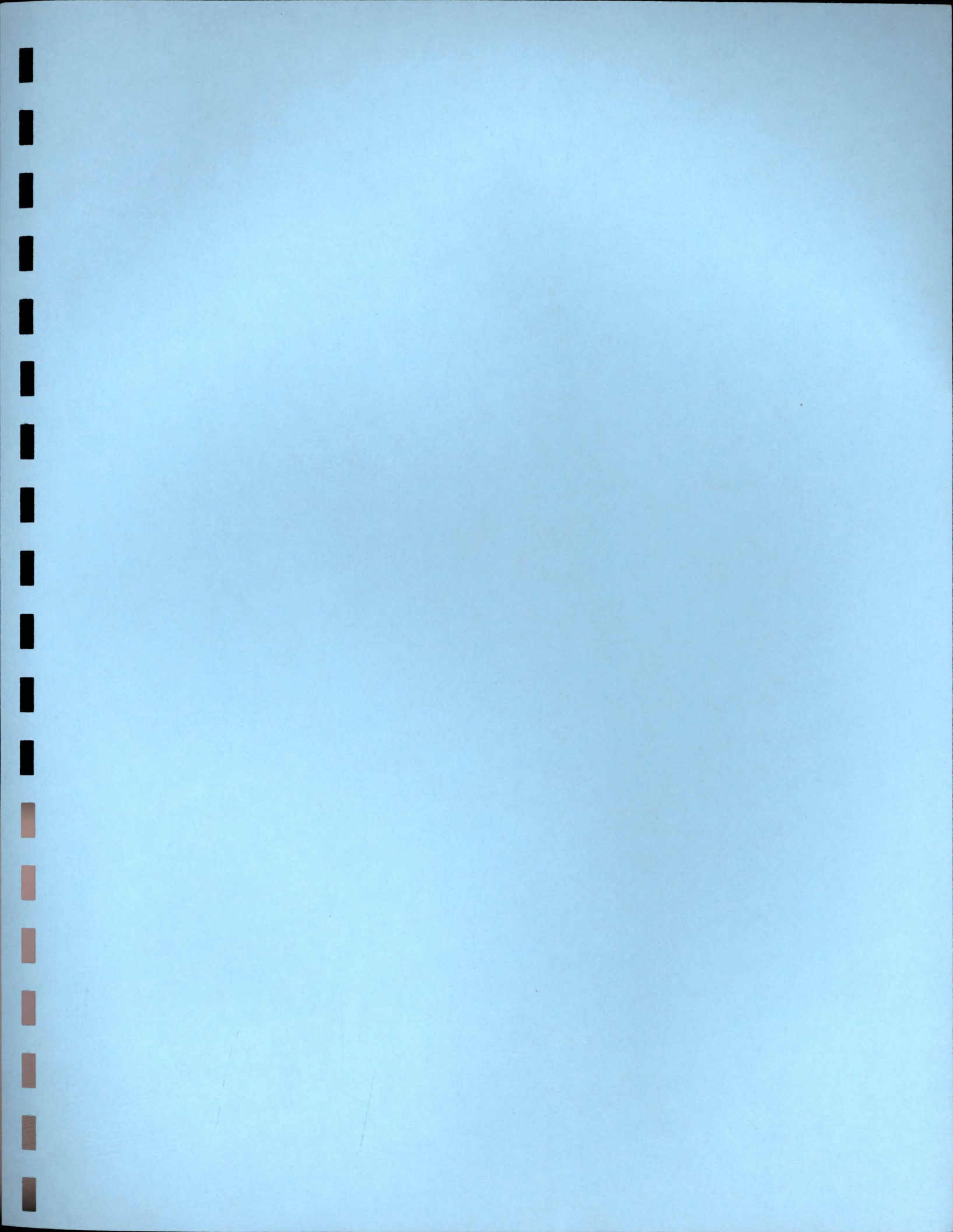
This will result in profitable growth.

## 1.5 Resource Requirements

It is clear that CEM cannot develop all needed solutions and capabilities internally. Accordingly, strategic partners and alliances will be sought to satisfy customer solution needs and gain market position. Some potential partners include Alcatel, Northern Telecom, MCI, GTECH and Simon and Schuster.

Our human resources investments will be focused on acquiring or training direct sales people that are industry-knowledgeable, capable of selling complex solutions, and consultative in their approach to customers. This represents a transition to account managers who can recognize and capitalize on major business opportunities.

CEM also requires rapid development of management reporting systems to provide timely, accurate operational information to support decision-making and to measure results.



# Health Industries

## FY94-95 Business Plan

### 1.0 Executive Summary

#### 1.1 Business Unit Identification

The Health Industries CBU is uniquely positioned within Digital to leverage activities among a complementary set of markets and accounts that comprise an industry value chain. The value chain spans four functional categories: Healthcare Providers, Payers, Suppliers, and Regulators. Our accounts include healthcare Providers in all segments (hospitals, ambulatory and long-term care, medical research and service companies, etc.); Payers from government/ministries of health to insurance companies to individuals; Suppliers, including pharmaceutical and biotechnology firms, medical device and equipment manufacturers, hospital supply companies, information management and consulting firms; and Regulators, which are usually government-based, but may also be influential industry-driven forces. The ability to leverage Digital's information technology (IT) and market segment leadership positions throughout this extended enterprise is a unique competitive advantage that we can and must develop and exploit profitably during the next two - five years.

#### 1.2 Customer Needs and Business Opportunity

Health Industries accounts have a compelling need to achieve cost efficiencies; to increase the quality of goods and services delivered; to improve discovery pipeline and time-to-market to ensure future growth and preserve shrinking profit margins; and to comply, quickly, with revolutionary and imminent changes in the regulatory and legislative environment. These trends are consistent across the major industrialized countries of the world; many countries in Europe and GIA are redesigning or tuning their health systems to deal with these challenges. The U.S. is implementing dramatic healthcare reform which will necessarily result in a complete redesign of administrative and clinical business practices for providers, payers, regulators and suppliers alike.

#### 1.3 Competitive Environment

The Competitive environment is as favorable as any that Digital faces. IBM has cut its Health Industries focus significantly this fiscal year, presenting a window of opportunity for Digital to exploit. In Healthcare alone, our relative size compared to IBM, our largest direct competitor, is a factor of two, not five. Hewlett Packard, on the other hand, is investing aggressively in Health Industries automation and is developing into a formidable competitor. Other significant threats come from the Services/Systems Integrators and Government defense contractors that are seeking new long-term growth markets. These companies have a history of success in the critical services/systems integration area where



# Health Industries

## FY94-95 Business Plan

Digital must establish a leadership position if we are to improve our profit margins in the long run.

### 1.4 Business Strategies

The top four Health Industries Business Strategies include: 1) Develop a portfolio of repeatable solutions based on tool sets that enable complex large projects to be implemented with continuously improving profitability; 2) Develop strategic alliances with end users, supplementing our solid base of third party partners to deliver enhanced vertical applications, complementary consulting and service capabilities, reach new market segments and to leverage references; 3) Develop consultative selling skills and delivering solutions with a return on investment that will enable a shift to a value pricing model, build account control and ensure customer satisfaction; 4) Develop and implement a profitable IT infrastructure and services program to take advantage of the realignment of industry IT groups to help them achieve their own business re-engineering and cost goals.

We have put together a set of 14 Business Initiatives to present a direct response to customer needs. These Business Initiatives, listed below by market segment, will evolve as the cornerstone of our management process geared to profitably developing and deploying strategic programs including administrative and clinical solutions for Health Industries:

#### Pharmaceutical

- ▣ Research & Development
- ▣ Manufacturing & Logistics
- ▣ Sales & Marketing
- ▣ Pharmaceutical IT Infrastructure

#### Healthcare/Gov't.

- ▣ Computer-based Patient Records
- ▣ Telemedicine
- ▣ Telemedicine Information Services
- ▣ Patient-Focused Care
- ▣ Clinical Imaging/TOEM
- ▣ Healthcare CSO/OEMs
- ▣ New Market Development
- ▣ Healthcare IT Infrastructure

#### Health Insurers/ Managed Care

- ▣ Claims/Administrative Systems
- ▣ Inter-Enterprise Integration/EDI

# Health Industries FY94-95 Business Plan

## 1.5 Resource Requirements

Key dependencies inherent in the Health Industries plan center on the selling and delivery resources for our strategic business initiatives. Many of these resources are not now assigned and appropriately skilled. We are also dependent on establishing and leveraging CBU core competencies, building a knowledge organization, and implementing new business processes in an urgent timeframe. There are functional dependencies on Engineering and other CBUs, especially Finance/Insurance, Education and Defense, to develop synergistic strategies that will leverage mutual success.



# Consumer Process Transportation FY94/95 Business Plan

## 1.0 Executive Summary

### 1.1 Business Unit Identification

In process, consumer, and transportation industries, we are the only worldwide, fully integrated information technology provider of open solutions organized by customer business.

Consumer Process Transportation (CPT) is a \$2 billion annual business operating in seven diverse worldwide segments. In most of these segments, 80% of CPT's revenues come from a focused group of major accounts.

SEGMENT	% of CPT Revenue	NUMBER OF FOCUSED ACCOUNTS			
		U.S.	Europe	GIA	WORLDWIDE
CHEMICAL	14%	15	16	17	39
CONSUMER PACKAGED GOODS	13	31	20	27	65
FOREST PROD., METALS, MINING & GLASS	12	90	115	140	335
OIL & GAS	12	15	24	20	54
RETAIL & WHOLESALE	18	280	275	250	805
TRAVEL & TRANSPORTATION	12	37	35	22	93
UTILITIES	19	100	50	50	200
<b>TOTALS</b>	<b>100%</b>	<b>568</b>	<b>535</b>	<b>526</b>	<b>1,561</b>

Viewed from the marketplace, CPT appears highly diverse, with different customers, competitors, and channels of distribution in each of our segments. However, viewed from the business unit perspective, CPT is far more cohesive. Our customers share many common business problems, enabling us to function as an integrated organization, focusing on a selected set of repeatable solutions to meet certain critical customer needs.

# Consumer Process Transportation FY94/95 Business Plan

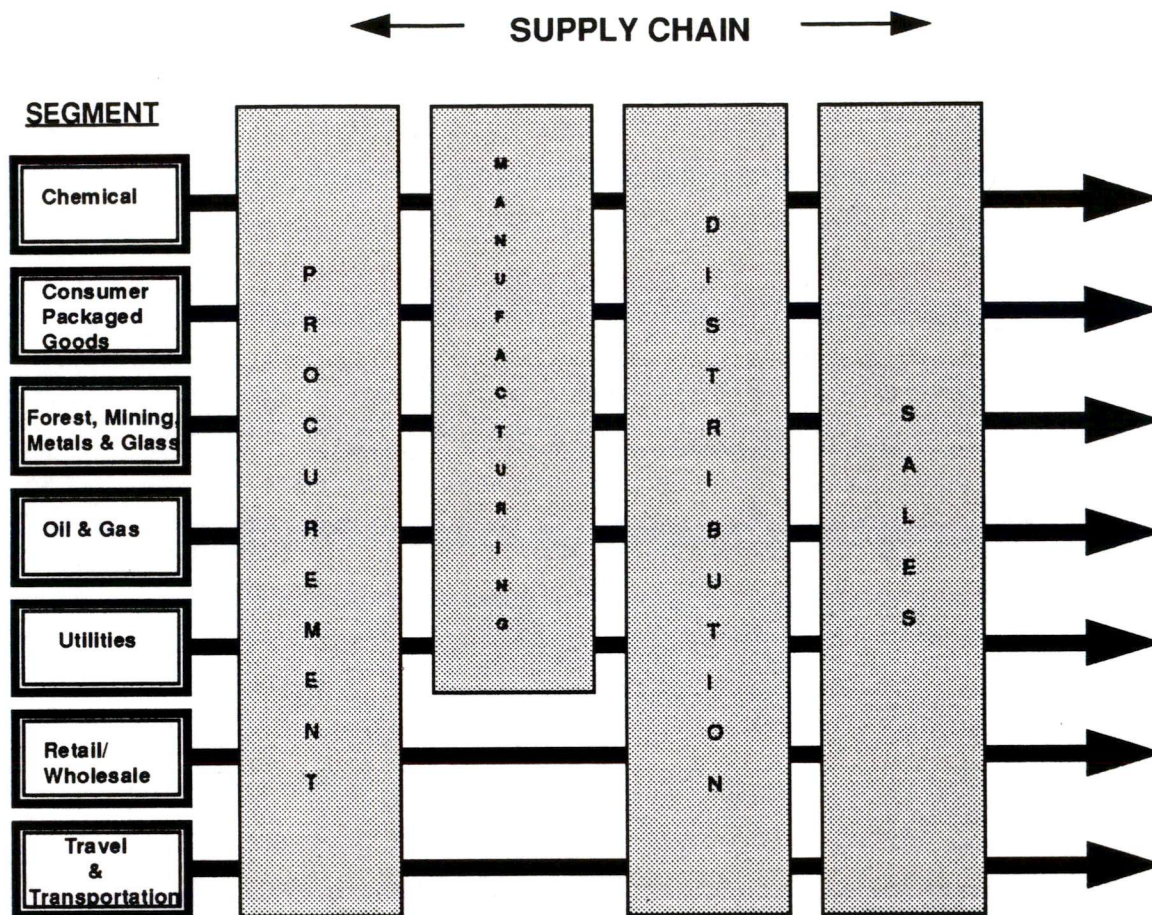
## 1.2 Customer Needs and Business Opportunity

CPT's market segments tend to be mature, relatively concentrated, and slow-growing with commodity-like market offerings possessing fairly complex value chains. The leading firms in these industries are major investors in, and sophisticated users of, information technology. Significantly, a window of opportunity has opened to the information technology provider capable of meeting the needs caused by the changing business environment and pressures within these segments. These opportunities include:

- Reducing supply chain costs and improving information flows through reengineering.
- Information Technology downsizing from mainframes to client/server networks.
- Meeting competitive challenges by integrating and optimizing control of operations.
- Responding to global and local regulatory demands and pressures, including quality standards.

**CONSUMER PROCESS TRANSPORTATION  
DISTINCT CUSTOMERS WITH SIMILAR NEEDS**

# Consumer Process Transportation FY94/95 Business Plan



Our customers' business problems are similar across our market segments. The solutions to these problems are highly dependent on information technology. CPT now has a major opportunity to make inroads into our targeted markets. This is both because our customers are spending more on information technology than might be expected of sophisticated users in mature industries, and because our unique set of solutions are particularly well suited to addressing customers' needs. We will focus on those customers where we believe Digital can meet their business requirements with profitable, value-added solutions. These solutions include:

- Real-time Manufacturing and Predictive Process Control
- Integrated Financial/Business Planning Systems
- Document Management Systems

# Consumer Process Transportation FY94/95 Business Plan

- Supply Chain Management & Electronic Data Interchange
- Geographic Information Systems
- Point-of-Sale Systems

## 1.3 Competitive Environment

While our approach focuses on serving our customers' common business challenges with repeatable solutions, our actions must be differentiated to meet the competitive challenges. Although CPT has 54 major competitors, not including regional and local firms, we encounter only seven across multiple segments (Andersen Consulting, CAP Gemini, EDS, Fujitsu, Hewlett Packard, IBM, SUN)

**NUMBER OF KEY COMPETITORS BY CHANNEL**

	DIRECT	VAR/OEM *	SI *	DISTRIBUTORS
CHEMICAL	8	4	8	6
CONSUMER PACKAGED GOODS	3	4	3	1
FOREST, METALS, MINING & GLASS	3	4	6	3
OIL & GAS	9	12	18	3
RETAIL/WHOLESALE	9	4	3	3
TRAVEL & TRANSPORTATION	5	1	4	1
UTILITIES	4	6	9	2

\* VAR = Value Added Reseller  
 OEM = Original Equipment Manufacturer  
 SI = Systems Integration

Currently, our business content mix is diverse, varying in each of our markets. The majority of our revenues come from "standard systems" sales generated mostly by Digital's direct salesforce. In addition, a significant amount of revenue results from sales through Value Added Resellers and Original Equipment Manufacturers. Another major component of our business is "tailored solutions" sold directly by Digital's salesforce in concert with partners.

Given our new organization, our strength is that we know who our competitors are, what segments they have targeted, and what their capabilities are.

# Consumer Process Transportation FY94/95 Business Plan

## 1.4 Business Strategies

FY94 will be a pivotal year as we transition to and learn how to operate effectively under the new business structure while executing our strategies. As we do this, we will focus on three critical issues to assure both short- and long-term success:

- **Develop a closer alignment with our customers' requirements to provide profitable business solutions that are mutually beneficial.**
- **Significantly expand our target market access by developing an effective and efficient channel distribution strategy.**
- **Target key competitors to increase our revenues by exploiting their weaknesses in the areas of solutions, application partners, distribution channels and end user relationships.**

In addition, in order to achieve our business objective of profitable growth, CPT will focus on 5 key strategies in FY94:

1. **Reposition ourselves in the marketplace by developing, marketing and selling repeatable solutions, leveraging our industry expertise globally, and broadening our offerings to include Systems Integration.**
2. **Further penetrate existing markets with existing offerings by globally leveraging Digital's expertise, open architecture and technologies.**
3. **Enhance existing market offerings with consultative selling and assistance in system integration.**
4. **Shift our channel strategy, and establish/maintain mutually beneficial partner relationships to improve our alignment with customers' purchase decision processes, and to reduce Digital's selling expenses. We have initially targeted 17 partners on which to focus.**
5. **Improve overall operating effectiveness by developing a more focused and trained salesforce and professional services resource, aligned to follow through and deliver against CPT's market strategies.**

## 1.5 Resource Requirements

CPT will utilize Digital's resources only if those resources have demonstrable value added to achieving the Business Unit's strategic and financial goals. We intend to drive this



# Consumer Process Transportation FY 94/95 Business Plan

concept both internally within the Business Unit, and across the rest of the Corporation, as we review and give feedback to the Functional Business Plans. This will result in work elimination, work redefinition, and the identification of resources required to meet the Business Goals that may not exist in the Corporation. Investments in the latter will only be made when the Business Unit determines those investments will lead to profitable growth, or when resources are freed through disinvestment in less feasible business alternatives.



# Engineering FY94/95 Functional Plan

## 1.0 Executive Summary

### 1.1 Business Unit Identification

Engineering supplies the business units with hardware and software products for Digital and non-Digital systems, the Digital aftermarket, OEMs, volume resellers, distributors, and mass merchandisers.

Engineering is conducted in several organizations and functions:

- Central Engineering
  - Corporate Research
  - Computer Systems Group
  - Network Engineering
  - Software Group
  - International Systems Engineering
  - Systems Engineering
- Semiconductor Engineering
- The product business units
  - Mass Storage Business Unit Engineering
  - Personal Computers Business Unit Engineering
  - Components & Peripherals Business Unit Engineering (including printers, terminals, realtime, TOEM)
- The customer business units
- Professional and Multivendor Customer Services
- Manufacturing & Logistics Technology Group
- Field engineering organizations

Bill Strecker (VP, Engineering) is *functionally* responsible for all of engineering and *organizationally* responsible for Central Engineering.

### 1.2 Customer Needs/Opportunities

As Digital business units begin developing the solutions side of the business, engineering will support two efforts aimed at improved systemness: the development of product sets which are well defined and managed (including systems engineering, interoperability testing and quarterly releases), and the development of market-driven cross-industry platforms which will focus engineering effort at a higher level of aggregation.

# Engineering

## FY94/95 Functional Plan

Through the Achieving Excellence in Engineering initiative, Engineering will work with the CBUs to develop a solutions-based (market driven) product strategy to complement - and eventually drive - the product and component strategies. These solutions will be sold partially through the traditional direct sales force, but more frequently through technical specialists, systems integrators, consultative sellers, and the like.

Engineering will work with product business units to provide systems support (for example, drivers) for various product components. These components sell primarily (or exclusively) through indirect channels and mass merchandisers.

Engineering will work with the MCS Business Unit Engineering to provide integrated customer support and problem resolution methods and tools.

Engineering will also maintain a strong focus on the product business, taking steps to ensure that products are better engineered (or re-engineered) to sell in greater volumes through indirect channels.

### 1.3 Competitive Environment

Digital's traditional technology and product strongholds have given way to superior performance by smaller, better focused companies such as Microsoft (software), Cisco and Novell (network hardware and software), Sun (workstations) and Dell (PCs). These companies have, for the most part, provided higher quality, lower cost, and functionally better products than Digital over the past several years. The challenge for Engineering is to reset to a strong market-driven product strategy and execute at world-class levels of cycle time, quality, functionality, performance and cost.

### 1.4 Business Strategies

Central Engineering will ensure that the nine business units within Digital have exceptional products with which to grow and develop specific markets. This includes meeting the needs of customer business units (solution set requirements) and product business units (software and systems support of products and components sold through volume channels).

In addition, engineering will work closely with all volume channel owners to ensure that our products are channel ready. Our decision to set R&D budgets to competitive levels will mandate the further rationalization of the product set and elimination of products for which customers perceive marginal value. We will invest in areas of technology where we can be #1 or #2 in the market; we will buy other components and products.

# Engineering FY94/95 Functional Plan

Finally, through the Achieving Excellence in Engineering initiative, we will implement a much improved development process which will enable us to greatly reduce cycle time (30%-40%) and achieve significant (10x) quality improvements.

## Major Themes for FY94

- Leadership silicon (microprocessors and PCI)
- Leadership computer systems (focus on UNIX and NT)
- Network hardware (including ATM acceleration)
- Multivendor networking & PC integration
- Software frameworks
  - Workgroup
  - Production/Commercial UNIX
  - Reliable messaging
  - Technical & scientific computing
  - Multimedia
- Compilers

## 1.5 Resource Requirements

The primary resource need for engineering in the next fiscal year is not capital, it is intellectual. Engineering represents a "middle heavy" organization of engineers whose skills have not kept pace with the technologies required by our customer and product business units. Further, some engineering groups have experienced attrition as high as 30% (annualized). Therefore the primary resource goals are focused on college hiring and reskilling.



# Manufacturing and Logistics FY 94/95 Operating Plan

## I. EXECUTIVE SUMMARY

### Goals

In January 1992, Manufacturing and Logistics established a set of two year operating and financial goals to dramatically increase customer satisfaction and reduce infrastructure costs (excess capacity) such that by the end of FY95 Digital's Supply Chain will be:

- Best in class in customer satisfaction as measured by predictability and competitive lead times
- Benchmark in process time, cost and asset performance
- A high integrity, high performance organization
- And Deliver:
  - Two to three times improvement in Customer Satisfaction
  - \$1B reduction in operating costs (MLM portion \$750M)
  - \$1B reduction in assets

We are on target to achieve this.

On an FY92 base, and contingent on final Business Unit Volume Plans, by the end of FY94, Manufacturing and Logistics will deliver:

- Three times improvement in predictability to 95% consistent performance based on agreed Product/Service menus
- \$785M reduction in Manufacturing and Logistics operating costs (offset by growth in Storage and SCO - FAB6 and Alpha)
- \$867M reduction in inventory, accounts receivable and PP&E (excluding Services assetization impact)

These goals are one year ahead of the original Supply Chain commitments.

By the end of FY95, Manufacturing and Logistics will deliver Best in Class Performance in:

- Delivery Predictability to the Customer
- Responsiveness of competitive Lead-time menus

The achievement of competitive benchmark performance for the total Supply Chain, requires the re-engineering of processes and work across Supply and Delivery, Product and Service Creation and Customer Engagement involving Manufacturing and Logistics with Engineering, MCS, PSSI and Sales and Marketing.

# Manufacturing and Logistics FY 94/95 Operating Plan

## Strategies

The primary objective for Manufacturing and Logistics in FY94 is to deliver competitive cost and service. For FY95 we will be "Best in Class".

Our strategies therefore are to implement a series of programs which deliver these objectives.

### Programs to deliver objectives

- Capacity and Infrastructure consolidation and integration
  - Develop large, flexible and fully integrated manufacturing sites. Close approximately three to four additional manufacturing sites in FY94 and FY95
  - Logistics consolidations
    - European Logistics Centers 21 to 2
    - US Order Administration 67 to 7
  - Integrate Product and Service Logistics Worldwide
- Invest in core competencies to close benchmark performance gaps
  - SCO/FAB VI
  - Module Manufacturing: (Surface Mount)
  - Storage Capabilities
  - Software Production and Distribution
  - Customer/Contract Administration
  - Order Management and Fulfillment
- Implement core program to re-engineer the Supply Chain. These programs in conjunction with our consolidations and investments in key competencies will deliver a competitive cost and service to the Business Units and our Customers

This can be measured as follows:

- Service Improvement:
  - 50% responsive to competitive leadtime in FY93 to 90% responsive in FY94
  - 70% predictable to commitment in FY93
  - 95% predictable to commitment in FY94
- Asset Improvement:
  - From 5.2 turns in FY93 to 5.8 turns in FY94. This is a 12% improvement in inventory performance, a 35% improvement in Service and a 67% increase in Volume
- Cost Reductions:
  - From \$2,329M to \$2,251M. This 3% reduction should be taken in consideration of Service improvements, investment in Core Competencies and Volume increases
- Internal Drivers:
  - Reduce Forecast variance from 35% to 25%
  - Reduce Cumulative Cycle Time (Supply Response to significant Demand Changes) from 100 to 75 days



# Manufacturing and Logistics FY 94/95 Operating Plan

These results will be achieved by implementing the following programs:

<u>Program</u>	<u>Description</u>
Demand Planning:	Connect the Business Plan to the Demand Plan to the Sales Plan, (execution)
Pipeline Management:	Set up a Supply Pipeline which is connected to the Sales Plan. Give our suppliers visibility to this Company supply plan and take the benefits in increased flexibility
Pipeline Execution:	Execute the supply plan based on customer orders. Connect the Pipeline from Customer to Vendor using standard Electronic Data Interconnect, (EDI). Reduce manual Purchase Orders, increase speed and reduce cost
Customer Administration/ Order Fulfillment:	Implement ONE low cost Order Administration and Fulfillment System worldwide for the commodity businesses. This will reduce cost, increase speed and functionality and make Digital easier to do business with.
Menu Management:	Implement a process which focuses on selling and servicing the 10% of our products which deliver 80%+ of revenue. This would reduce complexity, focus Sales and Manufacturing and reduce time cost and assets.
Total Business Readiness:	Ensure all operating units within the Company can make, sell, service and deliver all new Products and Service offerings before they are introduced to the market
Reference:	Data base creation and maintenance in support of the above
Communication/Training:	Connect the above programs to the operation

# Manufacturing and Logistics FY 94/95 Operating Plan

Programs with a specific business focus:

- **Implementation of PC Supply Chain:**
  - Focus the implementation of the key programs as outlined above to meet the critical PC Business needs. This would then be expanded to other commodity businesses.
  
- **Standard Contract Management and Administration:**
  - Focus on MCS for the implementation of new Business/Administration practices, processes and systems. This will deliver improvements in time cost and customer service

# Manufacturing and Logistics FY 94/95 Operating Plan

## Volumes

- Preliminary volume plans for FY94 reflect a 16% MLP Revenue Growth over FY93 with a 67% Unit Growth. FY95 has a 12% Revenue Growth, with an 73% Unit Growth over FY94. Volumes are being reconciled by Business Unit to ensure that capacity investment, material spend and inventory strategies are appropriate and timely.

## Financials

	<u>FY92</u>	<u>FY93</u> *	<u>FY94</u>	<u>FY95</u>
Net Non-Material Spend	\$2,636M	\$2,329M	\$2,251M	\$2,145M
Material Spend (@93 Standards)	\$2,100M	\$2,550M	\$3,400M	\$3,800M
Population	30.5K	26.2K	26.1K	25.4K
Space (square feet)	13.1M	12.6M	10.8M	9.5M
Net Inventory (Corporate)	\$1,614M	\$1,631M	\$1,655M	\$1,945M
(Turns)	5.1	4.8 **	5.4 **	6.1
DSO	83	73	62	55

\*May Forecast for FY93

\*\* Includes assetization of expensed inventory

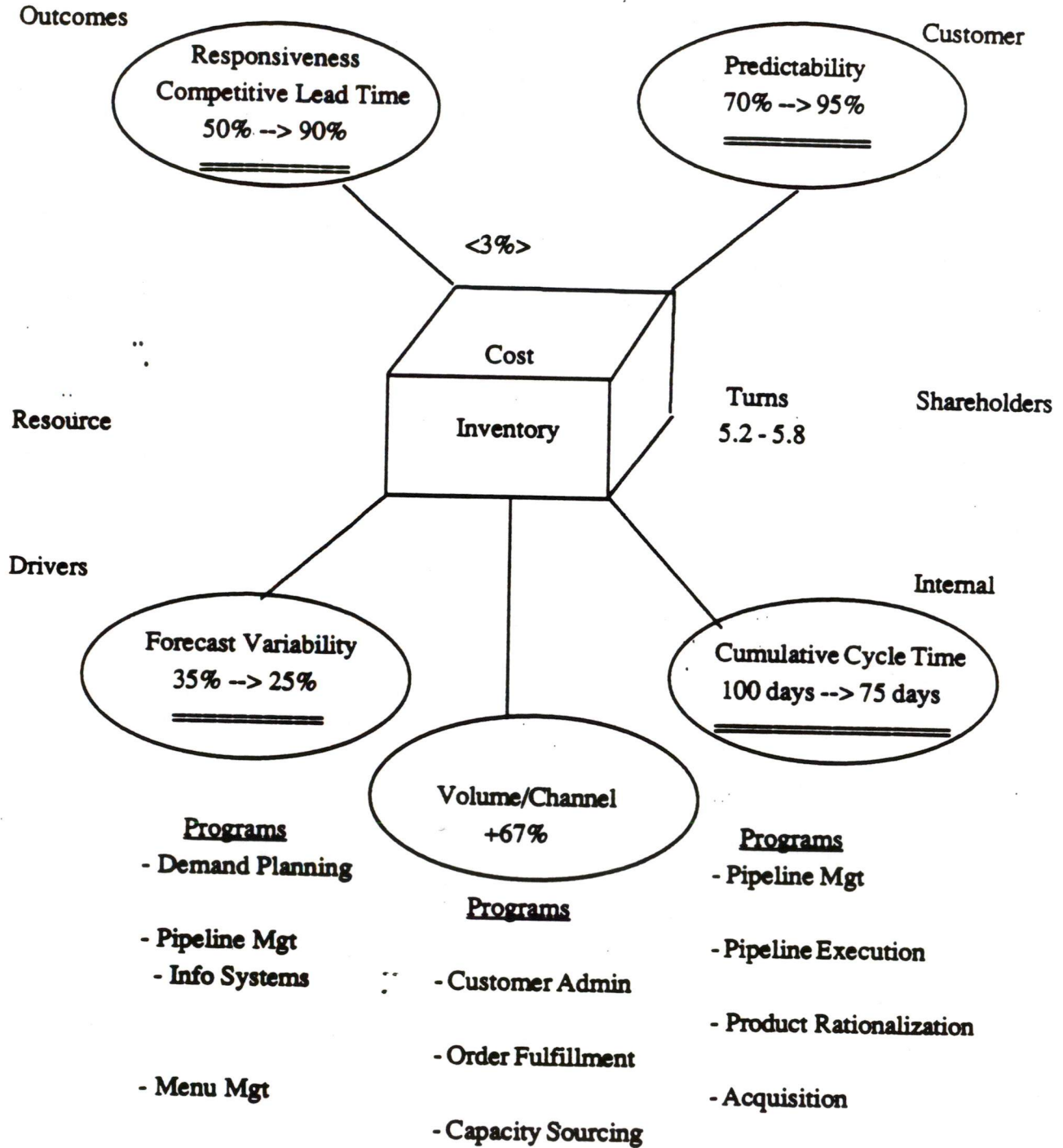
The FY94 Plan yields a \$385M reduction in Net Non-Material Spend from an FY92 base, and an \$867M reduction in Assets. Volume growth in FY95 will require inventory growth, but a 13% turns improvement is planned (6.1 turns).

## Summary

- Manufacturing and Logistics continues its drive for the competitive, benchmarked supply of goods and services to Digital's customer base in support of Business Unit goals and Service Level Agreements. Although Sourcing, Capacity and Restructuring Strategies will yield further benefits toward benchmark goals, the implementation of the Supply Chain programs is critical to meeting plan commitments. Specific short-term implementation activity in FY94 will focus on the PC Supply Chain and on Services administration and practices. Other key implementations will take place in Menu Management, Standardized Fulfillment Channels, Pull Execution Processes, Business Readiness Reviews and on new transactional and information systems and applications.

# Manufacturing and Logistics FY 94/95 Operating Plan

## OPERATING PROGRAM MODEL



Improvement from FY93 Forecast to FY94 Budget

**Enablers:** Reference/Total Business Readiness



# U.S. Territory FY94/95 Operating Plan

## 1.0 Executive Summary

### 1.1 Territory Charter

The charter of the U.S. Territory is to create a business operating environment that allows the Business Units to meet their growth and profitability goals in the U.S. market.

The focus for U.S. Territory Management will be re-engineering the operating environment to achieve both

- o dramatic improvements in the buying process to make it easier, less costly, and more value-added from the customers' perspective
- o dramatic improvements to Digital's SG&A measures

With this focus U.S. Territory priorities will include

- o the assembly of expert selling, support and delivery resources dedicated to meeting the needs of the Business Unit's customers
- o process improvements which support effective and efficient utilization of resources shared across Business Units
- o common business systems and processes which drive effective planning and reporting, and create a clear understanding of business performance
- o common selling, sales support, and delivery processes, tools, and systems to drive lower cost of sales
- o leadership of a U.S. Management Team which works together to maximize Digital's success in the U.S. market by maximizing the profitable growth of each individual Business Unit.
- o the creation of an environment for all U.S. Territory employees that encourages risk taking and creativity. U.S. employees will enjoy their work and be proud of their company.

# U.S. Territory

## FY94/95 Operating Plan

### 1.2 Customer Needs and Business Opportunity

Significant business opportunities in the U.S. market include:

- o products which support Open Systems and are competitively priced
- o embedded technologies and components which enhance the quality, competitiveness and performance of customer products
- o networks which support multi-vendor interconnection, are operationally secure and can support client server computing needs
- o business applications and solutions which contribute to our customer's profitability, productivity, and market position

Additionally we will find that business practices and buying processes will function more and more often as competitive differentiators in Digital's chosen markets. These buying preferences fall into the category of customer needs and business opportunities as they will play a deciding role in whether customers choose to do business with Digital.

### 1.3 Competitive Environment

The United States market, the largest in the world, has competition on all fronts:

In the Commodity product arena, IBM, Apple, Compac, Dell, Novell, and a host of others make price competition very intense, and competition for 'shelf space' in the retail and business-retail environment is intense. However, this area is one of the most promising for Digital, since our sales have grown faster than the market in recent years, and we are now positioned to become one of the five major players in this fast growing segment of the computer industry.

In the printer and print-server area, we have lost significant ground to HP. In their last fiscal year, they sold \$3.9B worth of printers worldwide. While we don't know what percentage was sold in the US, it represents a significant opportunity for us, if we have products to compete at the PC level.

The workstation market in the US is dominated by SUN, with Digital, IBM, and HP basically trading position, depending on the latest product features and speeds.

# U.S. Territory

## FY94/95 Operating Plan

With the advent of the Alpha products, Digital should be positioned as the price/performance leader for workstation computing.

Within the workstation market, however, speed and price are not the only winning factors. We will need to successfully port the most popular applications to the Alpha platform if we are to gain market share over SUN, IBM, and HP. Today, there are major efforts underway to do this, and if we are successful in getting the high volume software products on our workstations, we should be in a good position to grow our business in this area.

In the Technical Computing marketplace, Alpha and OSF represent the best opportunity for growth. Our loss of market share to HP in this area is the result of a strong commercial UNIX presence, as well as high-performance RISC products. HP has also worked their partner/VAR strategy very well, and seem to be able to leverage more business through indirect channels that we have.

In the Systems Integration area, we find ourselves competing with a new set of players: EDS, Andersen Consulting, CSC, etc. This style of selling will require a reengineering of the workforce, a new mentality in how we approach and evaluate business, and a faster start in the revenue stream, as we solve our customer's complex business problems.

One of our traditional "captive" markets, Customer Services, has become much more competitive over the last few years, and can no longer be taken for granted. Today, our largest accounts are being offered lower service prices, and because of the quality and reliability of products today, as well as a lower sense of urgency because of client/server styles of computing, those customers are either buying the lower-priced service, or forcing us to lower our prices to keep the business. This high-profit business erosion will have devastating consequences, if we are not able to respond to the competitive threat.

### 1.4 Business Strategies

The top three areas of Business Unit focus in the U.S. are:

1. Client Server computing
2. Solutions Development and Deployment
3. Computer Downsizing
4. Multi-Vendor Networking

The U.S. will offer a complete set of product and services to support these strategies for our customers.



# U.S. Territory FY94/95 Operating Plan

## 1.5 Resource Requirements

There are no unique resource requirements, such as localization, in the U.S..



# Japan Territory FY94/95 Operating Plan

## 1.0. Executive Summary

### 1.1 Territory Charter

DEC Japan's three primary areas of focus are:

- To be a major provider of information technology, hardware, software and services to the Japanese market.
- To build market share in specific, targeted market segments in Japan, consistent with the 9 Corporate Business Unit strategies.
- To achieve industry leadership profitability in the target businesses.

### 1.2 Customer Needs and Business Opportunities

The single most important customer need from DEC Japan's perspective is the need for competitive, **Japanized applications and solutions** running on DEC platforms that DEC Japan can sell to Japanese customers.

### 1.3 Competitive Environment

The computer industry in Japan, like elsewhere in the world, is restructuring. Japan is just beginning to experience the shift to downsizing, commoditization of hardware, open systems, networking, and the focus on solutions that is already well underway elsewhere.

The downsizing trend presents major problems for primary Japanese competitors including Fujitsu, Hitachi and IBM Japan, which are heavily dependent on mainframe business.

A move away from proprietary versions of DOS towards an industry standard DOS/V on PC's is threatening NEC's stranglehold on the PC market, and providing openings for vendors of IBM compatible PC's.

Aging computer architecture of major Japanese computer companies, and the lack of their own follow-on microprocessor architecture presents a significant opportunity for the Alpha architecture in Japan.

# Japan Territory FY94/95 Operating Plan

## 1.4 Business Strategies

The top four areas of business unit focus in Japan are:

1. To propagate the Alpha architecture into Japan through OEM and system partners. This will be accomplished by the C&P business, with its dedicated Technology Support Center. The process will be enhanced by our partnership with Mitsubishi Electric as Mitsubishi comes on stream as a second source and eventually as a co-marketer of Alpha based products.
2. To build on past success in delivering complex, integrated industry solutions to major Japanese customers through the CBU's. DEC Japan's past focus on financial service, telecommunications, and semiconductor CIM applications have resulted in significant growth in the Professional Services content of our business. This accumulated expertise will be focused on new, emerging application areas as detailed in the individual CBU plans.
3. To optimize the existing MCS business in order to maintain our current cash cow for as long as possible without causing negative impacts to the CBU or PBU businesses, and to expand into new MCS business areas to replace the shrinking traditional break/fix business.
4. To take advantage of the move towards DOS/V and Windows/NT to establish a significant position in the Japanese PC market.
5. To be the recognized first class service integrator providing customers the highest quality, most comprehensive and cost effective services.

## 1.5 Resource Requirements

DEC Japan's primary resource dependency is on Corporate Engineering for Japanization of Corporate hardware and software products.



# South Pacific Territory FY94/95 Operating Plan

## 1.0 Executive Summary

### 1.1 Territory Charter

- a. Growing and profitable subsidiary.
- b. Understand the marketplace, its trends and business opportunities. Develop strategies to capitalize on these opportunities with solutions and differentiation that exceed our customers expectations.
- c. Further develop SPR's capabilities in professional services, Desktop distribution and Industry specific skills.

### 1.2 Customer Needs and Business Opportunity

SPR has a well developed mature market place, consisting of both global organizations, local business entities and small and medium enterprises.

The requirements of this market place are consistent with best in class needs of any sophisticated western world economy. These include ease of doing business, zero defects, on demand supply, sophisticated telephone support, direct marketing and quality accreditation.

The only significant legal requirement is two fold:

- a. To meet commitments under the Federal Government Partnership for Development Program.
- b. To provide products and services consistent with long term government contracts

### 1.3 Competitive Environment

The Information Technology market in SPR is mature and growing in the 4 to 5% range per annum.

Historically IBM have been the dominant vendor and have established a large installed base. This however is decreasing over time, both to competitive compatible mainframe and to new client server based computing.

Both Hewlett Packard and Microsoft are winning market share. The rest of the traditional information technology vendors are static or in slight decline.

# South Pacific Territory FY94/95 Operating Plan

Digital is performing well in the South Pacific Region and is the clear number two in this market place. Almost uniquely in developed economies IBM is only twice Digital's size and Digital's growth rate is in excess of IBM's.

Sophisticated Systems Integration and consulting companies are all vying for business in the high value added market space. These include Arthur Anderson, DMR, Computer Sciences and Computer Power Group. These organizations represent a mix of international and local companies. EDS is not yet a major player in this market. The market opportunity in FY94 is polarized into two primary areas:

- a. The Desktop and Commodity market place which we plan to exploit through an expanded channels and direct marketing organization, and
- b. Growth in investment in infrastructure projects and information technology replacement. Particularly within Federal and State Government entities.

Outsourcing and systems integration are particular growth markets. UNIX has not yet become a major business opportunity but all levels of Government have formulated policies based around the standard. The market has a high expectation of NT.

## 1.4 Business Strategies

The top three business goals in SPR are:

1. Maintain Digital's position as the number two information technology supplier. We plan to grow market share year on year.
2. Be seen to be the best equipped industry knowledgeable partner with the financial and knowledge resources capable of being the premier prime contractor for complex systems integration bids.
3. Expansion of our channels and business partners to facilitate growth in all product related business units.

A specialist sales force, data driven market knowledge and the quality of our partnership alliances are fundamental to our success.

# South Pacific Territory FY94/95 Operating Plan

## 1.5 Resource Requirements

There are three major finance resource requirements that are embedded in this plan.

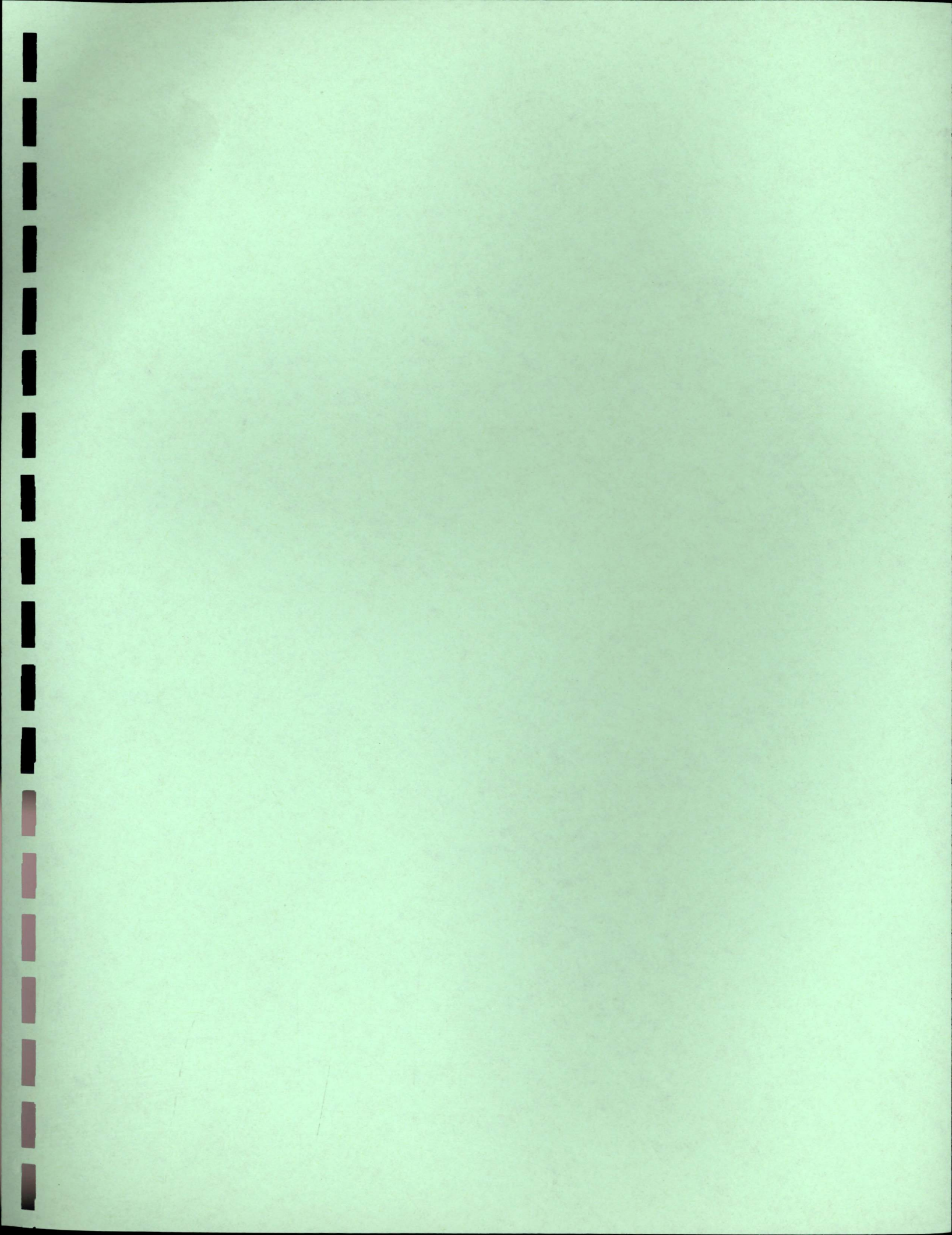
- a. A proposed investment to outsource the NSW Department of Health in conjunction with a wider strategy to become the dominant supplier in the Health industry.
- b. The potential to exercise an option to purchase an additional 29% in Wilson Computer Services, a strategic partner in SPR.
- c. The requirement to invest in a venture to exploit the OSS Phase II capabilities developed from our business relationship with OPTUS.

In addition financial and human resources may be required from time to time to exploit business creation opportunities consistent with our strategic position. This is particularly so in selected government infrastructure projects. These include the Health Communications Network (HCN), Transit 2000, EDX, The National Power Grid, The National Rail Corporation, Interactive Pay Television and ISIS.

## 1.6 Financial Summary

	Revenue	Gross Margin	Total Expenses	SCM
MCS	114.0	67.6	8.4	59.2
PC	13.0	4.1	2.0	2.1
Comp	11.0	5.1	2.3	2.8
Storage	9.5	3.5	1.1	2.4
CEM	94.7	41.0	15.8	25.2
CPM	84.4	46.7	22.3	24.4
DMD	17.2	9.9	4.8	5.1
FPP	53.8	27.8	14.1	13.7
HIC	22.5	13.3	6.2	7.1
<b>Total</b>	<b>420.1</b>	<b>219.0</b>	<b>77.0</b>	<b>142.0</b>





# Canada Territory FY94/95 Operating Plan

## 1.0 Executive Summary

Canada is an exciting market for Digital's products and services. After two years of recession, economic growth is forecast to be the strongest among the G7 nations. Our move to an industry focused organization ensures we can exploit this period of economic expansion.

### 1.1 Territory Charter - Three Key Areas of Focus

#### Large Accounts

The Canadian Named Accounts program is focused on our top 100 customers in Canada. Major elements include industry knowledge, joint planning with senior executives and custom solutions.

#### General Business Group

GBG concentrates on those customers who require standard industry applications, primarily available through partners. A key success factor is the need for specialization in the workstation, PC and SPG markets to compete with niche vendors. Selling ALPHA off-base in the SME market is essential to increasing product sales.

#### Channels

Our channels business has grown significantly in the past three years to over 50% of our products revenue. Opportunities for expansion exist in two areas: high volume/wide area mass merchandising; and value added low end products and services for LAN's and the desktop.

### 1.2 Customer Needs and Business Opportunity

The recession has forced our customers to re-examine the added value of their IT services. Downsizing, outsourcing and the move to open systems continue to dominate the customer agenda. Digital Canada has responded with solutions such as the Information Technology<sup>1</sup> Utility to address these new requirements.

The Canadian customer base is defined by the economy, geography, language and government.

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<sup>1</sup>See page 25 for a description of the ITU.

# Canada Territory

## FY94/95 Operating Plan

The economy is largely based on resource industries with growing sectors in manufacturing and services. International trade generates 25% of the GNP.

The population of 27 million is widely scattered over the second largest country in the world. Telecommunications plays a leading role in keeping the disparate population centers connected. Government contracts encourage suppliers to provide local industrial benefits. Canada is a bilingual country - English and French. Government regulations require suppliers to operate in both languages.

Government activity is an important factor in Canadian life. The population widely supports legislated social programs such as universal health care. Forty-three percent of our business is government related.

### 1.3 Competitive Environment

The total IT market in Canada is \$9.3B (US) growing at a recessionary rate of 3% in 1993. Digital has a 6% market share in those sectors in which it operates. The hardware market is declining in Canada - even the PC market is flat on a dollar volume basis. However, there are significant opportunities to grow our hardware business by displacing smaller suppliers of PC's and workstations. The professional services side is growing at over 15% per year, especially in the areas of SI and outsourcing. Digital is consistently listed as one of the top four SI suppliers in Canada.

Our major competitors in the products space are IBM, HP and Sun. For professional services, the leading suppliers are IBM (and its subsidiary ISM), Andersen Consulting, EDS, SHL and DMR. In any given situation, each may be a competitor, a partner, a sub-contractor or a prime. Sorbus (Bell South) and Testpoint (Olivetti) are the top two competitors in the MCS space.

### 1.4 Business Strategies

The unique characteristics of the Canadian market (Section 1.2) define the three main areas of Business Unit focus: Public Administration (FPPS), Telecommunications (CEM) and Utilities (CPM).

For, example by working with Federal, Provincial and Municipal governments, Digital has become the leading supplier of IT solutions in many government departments. We must continue to improve our SI and outsourcing capabilities to increase our penetration of these markets. By partnering with suppliers (1.3) , providing industrial benefits and adhering to a bilingual policy for products and

# Canada Territory FY94/95 Operating Plan

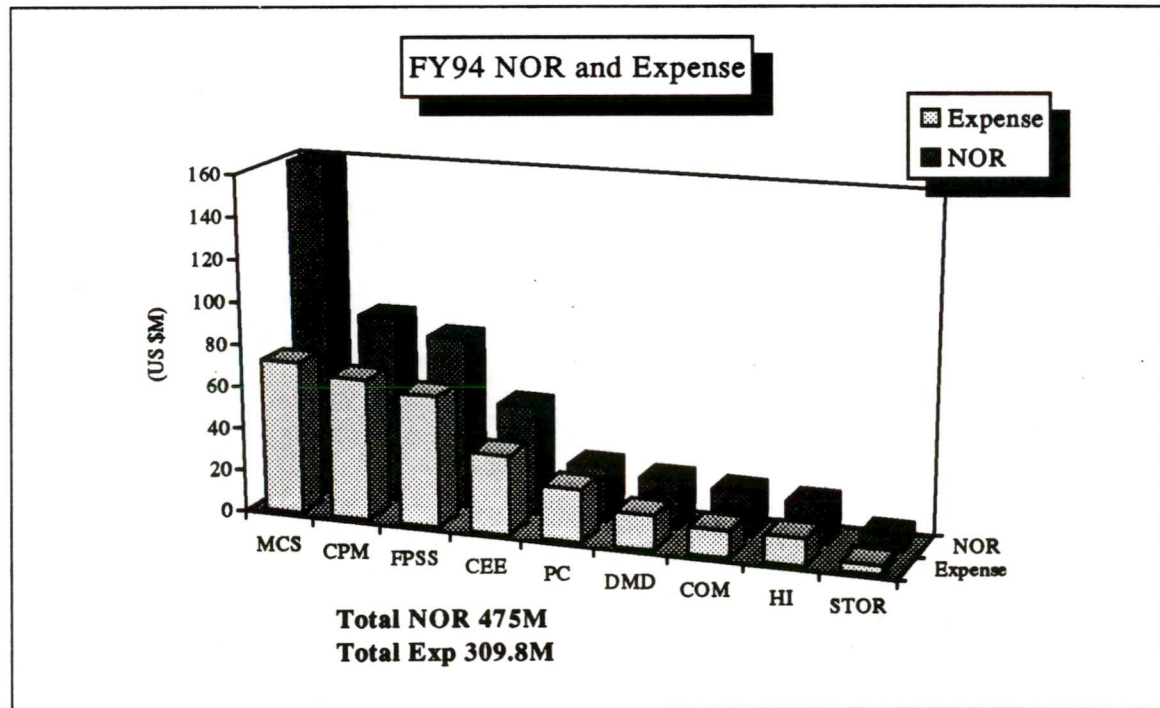
services, we can ensure that Digital will continue to be the preferred supplier to the public sector business.

## 1.5 Resource Requirements

The new market conditions demand a rapid change in our skill set. On the one hand, we need highly focused sales reps in GBG with the technical skills to beat the niche vendors like Sun. On the other, we need senior account managers with service delivery skills to compete with a managing partner from Andersen to win an SI contract. As the CBUs drive us towards "best-in-class" industry solutions, we will require a small number of skilled application specialists.

The need for flexibility prevails. Non-critical competencies will be outsourced. SI programs will expand their use of sub-contractors.

## 1.6 Financial Summary





# Latin American Caribbean Territory FY94/95 Operating Plan

## 1.0 Executive Summary

Latin American/Caribbean countries and their markets are opening with a new competitive market mind-set. Worldwide, the Territory is positioned to play the same role for the 90's that the Pac Rim played in the 80's. Investments in information technology across most of the Territory's target industries are a key area recognized to provide the productivity, efficiency, automation and quality improvements necessary to enable LACT companies to compete in a global economy.

The mission of the Latin American Caribbean Territory is to be the preferred supplier for all significant markets, building a \$1.0 billion business at end-user value by the year 2000.

### 1.1. Territory Charter

Over FY94-95, LACT will focus on

- extending Digital participation into all markets in the seven countries which comprise 88% of the Territory's economy and computer market;
- establishing reputation as the solutions provider of choice for the selected industries which will be critical for the Territory's growth; and
- developing new business in commodity and Multivendor Customer Services (MCS) markets

### 1.2 Customer Needs and Business Opportunity

Key end-user customers are concerned with increasing their competitive edge in both newly-opened domestic markets and the global marketplace. A decade of recession resulted in extended reliance on aging custom mainframe applications and extensive use of PCs and PC networks.

Customers need to "leapfrog" into current technology - "Open Systems" is in vogue - and learn to use it productively. Increasingly, they are requesting complete solutions including systems integration support. In addition, the Territory's customers need integration of heterogeneous systems and availability of support from a single source.

### 1.3 Competitive Environment

The LACT computer market is \$8.4B in size, growing at 18% per year (IDC, 1992). (Since publication of that report, Brazil economic issues have undoubtedly reduced the growth rate.) Approximately 35% of the total market is PCs. The conflict between Open Systems technology and industry solution needs is gradually easing as more applications port to UNIX and Microsoft Windows. IBM is the most significant player in the LACT computer market (41% market share). Digital is in fifth place with 3.9% market share.

# Latin American Caribbean Territory

## FY94/95 Operating Plan

### 1.4. Business Strategies

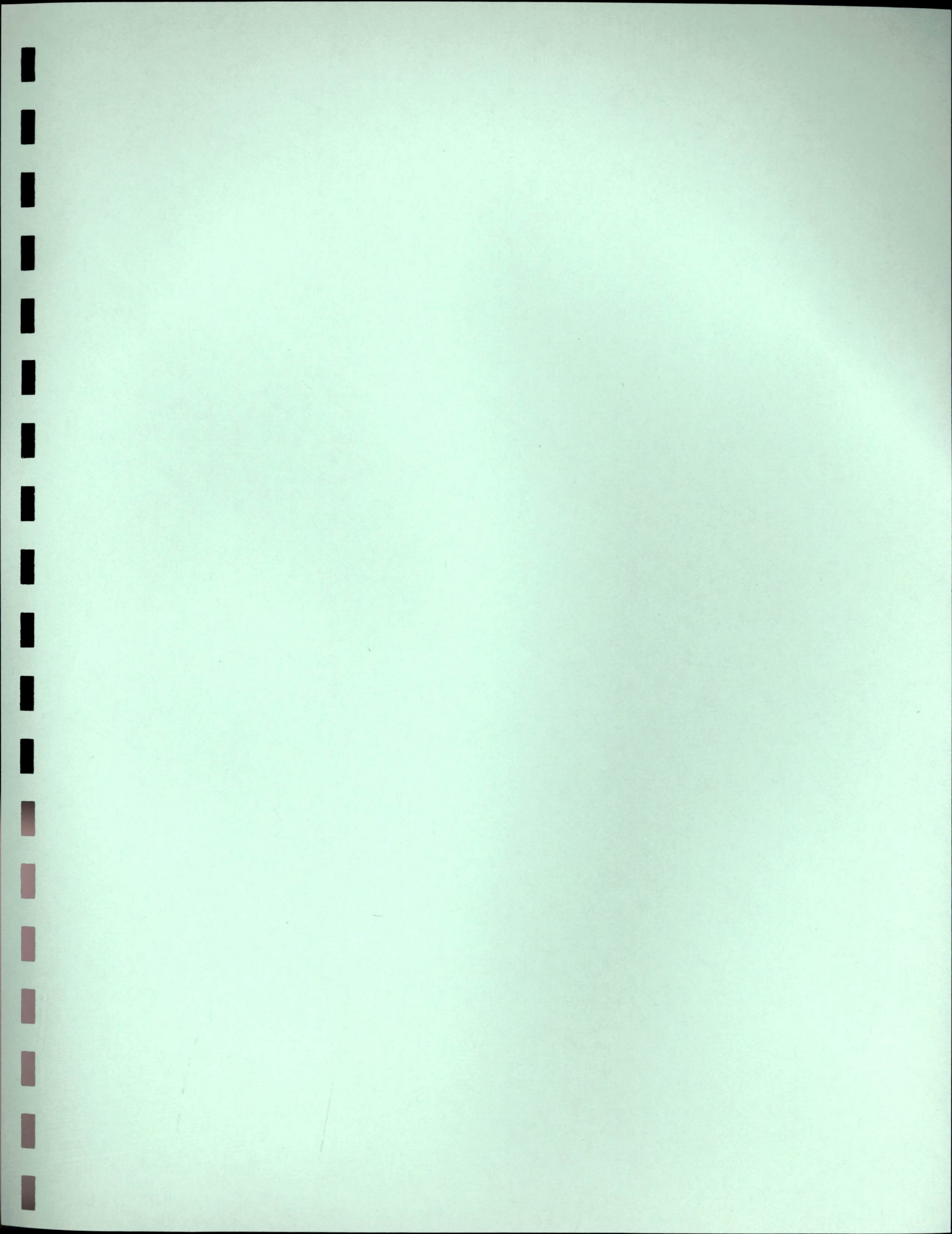
- In cooperation with the BUs, invest now in a few target industries (Oil/Gas, Telecommunications, Banking/Finance, commodities) while looking for other investment areas.
- Opportunistic approach to the rest of the markets
- Install Digital direct presence in remaining strategic countries

### 1.5 Resource Requirements

- Local application & SI suppliers
- Ability to attract and develop bilingual managers and other selected key personnel
- Territory management expertise in understanding and balancing the 40-country portfolio

### 1.6 Financial Summary (FY94)[SG&A without logistics]

	DMD	HCI	FPP	CEM	CPM	PC	C&P	MCS	TOTAL
NOR	14,048	4,923	43,926	27,502	49,760	19,420	0	59,000	218,579
SG&A	3,720	1,234	12,160	6,708	14,098	1,851	400	7,640	47,812





# Asia Territory

## FY94/95 Operating Plan

### 1.0 Executive Summary

The Asia Territory is a diverse multi-country, multi-cultural region containing two-thirds of the world's population. It is experiencing rapid economic growth almost four times the GDP growth of the developed Western economics. The IT market growth is forecasted at 12-14% per annum driven by the rapid business/economic expansions in the region.

Digital currently commands a number 2 market share position, however this positioning has been weakening due to the general Digital decline of the recent years and the emergence of increased competition in the territory. During this time the Asia region has consistently grown the business and returned the highest profitability within the Company.

With the Company's improved product strategies and the emergence of the Business Units, Digital Asia enjoys the challenge of meeting the full potential in this expansionary market place. There is a choice the Company can make regarding how aggressively it would like to push the potential of Asia. The choice centers around market share gain and overall profitability goals.

The three key focus areas for the territory are:

Exceed overall IT market growth and strengthen number 2 positioning.

- Enhance solution sets and project management capabilities to maintain/improve gross margins.
- Further develop the specialty skills and management talent within our organization and our partners. Better balance our channels of distribution.

The opportunities in Asia are great and Digital's current positioning and new focus presents additional opportunities from our traditional mode of operation. Investments in our organization will reap market share gains with best in class cost structures in 95/96.



# United Kingdom and Ireland Territory

## FY94-95 Operating Plan

### 1.0 Executive Summary

The June 8th Agreement resulted in a Territory plan of \$1432M Revenue and \$446.2M margin. This represents a revenue growth of 5.5% in Actual Dollars and 19.6% in local currency. This requires Digital to take more than 0.5% points of market share from the competition and puts emphasis on our ability to grow our Partner Business and be successful off the base. At the same time the plan calls for improved Gross Margin and continued reduction in Territory Expense.

The principal goal of the Territory is to achieve a best in class Selling and Service capability in line with customers' needs and expectations within the period of the Plan. In support of this a key focus is on the re-shaping of our selling capability with the ongoing development of specialist salesforces - especially MCS, Desktop, PSS, and Tele-sales.

As already mentioned, another key focus is the extension of our market reach through the effective development of Partners. A third is to grow our Value Added Service revenue streams.

The UK Territory is a broad based Economy. The UK is just emerging from the longest recession since the 1930's. Consumer confidence is low, restricting suppliers' ability to pass on the effects of a 20% devaluation of sterling over the last nine months. These pressures together open up I.T. opportunities in support of cost cutting and outsourcing activities. They do, however, also put severe pressure on our Gross Margins.

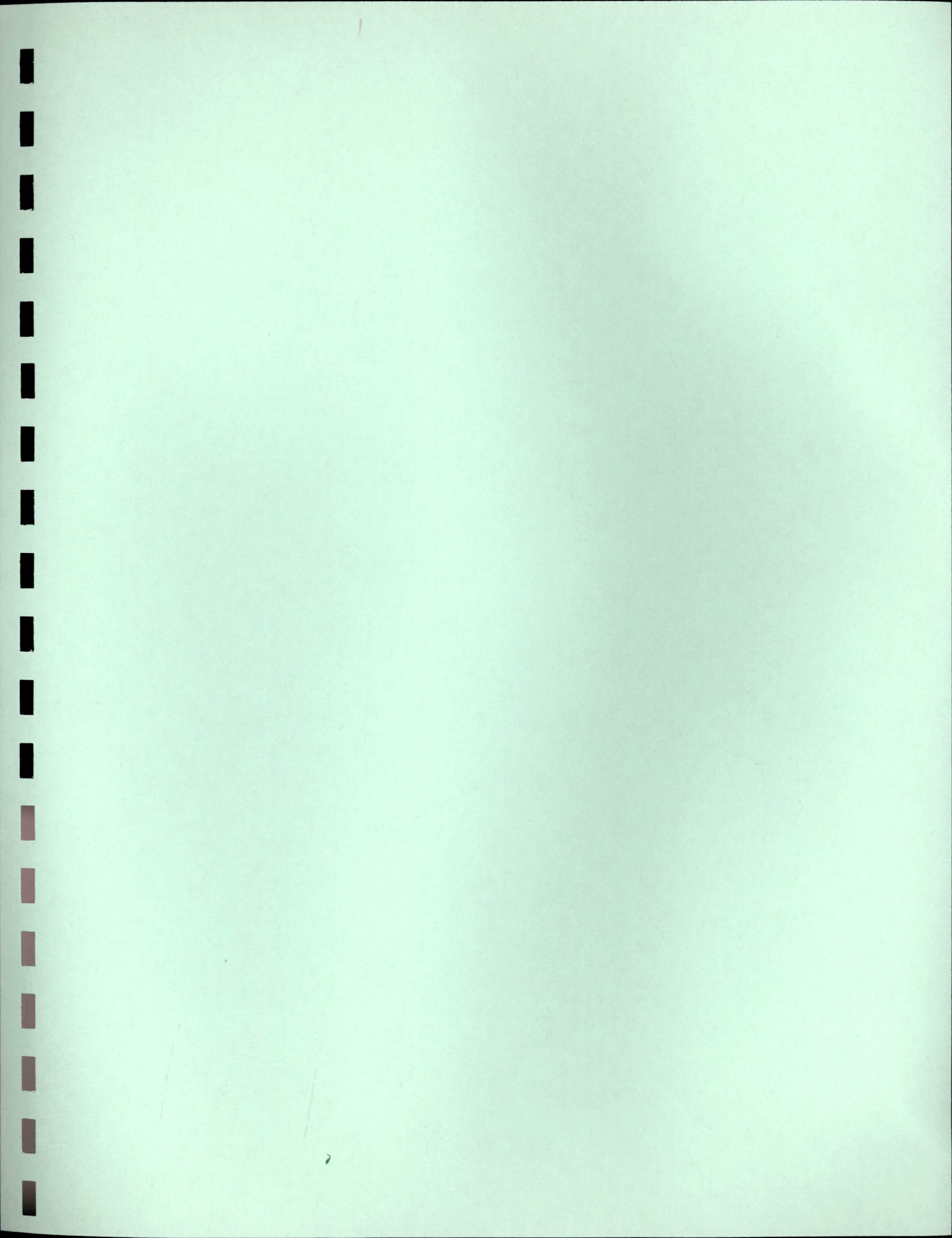
Other sources of opportunity are 'compliance' - particularly in Finance Utilities - and 'de-regulation' - particularly in Telecoms.

The UK I.T. Market is worth some \$ 21bn. annually. Compared to Continental Europe it is very mature with many players, ( some 65% of the market is with ' Non-IT-Majors ' ). Customers are both willing and used to dealing with different Channels; ( e.g. Merchandising accounting for 15% of FY93 Revenues, and partners for 35% ). The Professional Services Market is the most mature in Europe.

Digital has a 6% Market share in the Territory, nearly half the size of IBM at 14%. Other key players are ICL with 9%, HP with 2-3% and SUN with 1%.

Market growth within the Plan period is 4-7% annually. The most significant growth opportunities being in Professional Services, PC and Software.

The key resource dependency is to get the specialist Sales forces in place and up to speed..



**South, Central and Eastern Europe, Middle East, Africa  
Territory  
(SCEEMA)  
FY94-95 Operating Plan**

## **1.0 Executive Summary**

### **1.1 Territory Charter**

Territory 2 is responsible for all aspects of Digital's business in the geography made up of Austria, Greece, Israel, Portugal, Spain, Turkey, South Africa, Central & Eastern Europe, Middle East and Africa.

Our goal from a Territory point of view is to ensure that each subsidiary:

- . improves profitability to achieve Corporate objective within the next two years.
- . achieves objectives as per agreed country business plan.
- . implements corporate models

### **1.2 Customer Needs and Business Opportunity**

Each subsidiary is at a different level of maturity. All however have a common characteristic: They represent a wide open market looking for investment in all industry segments.

The needs are enormous, focusing first on infrastructure building or rebuilding (Austria, Israel, Spain, Portugal excepted) but starting to offer significant opportunities in goods manufacturing and services.

Although they are equally impacted by the worldwide economic situation and for some of them facing political instability ( Russia and former USSR republics....) they continue consistent growth opportunity.

### **1.3 Competitive Environment**

All key players are present: IBM, HP, NCR, Siemens, Bull, Unisys

**South, Central and Eastern Europe, Middle East, Africa  
Territory  
(SCEEMA)  
FY94-95 Operating Plan**

1.4 Business Strategies

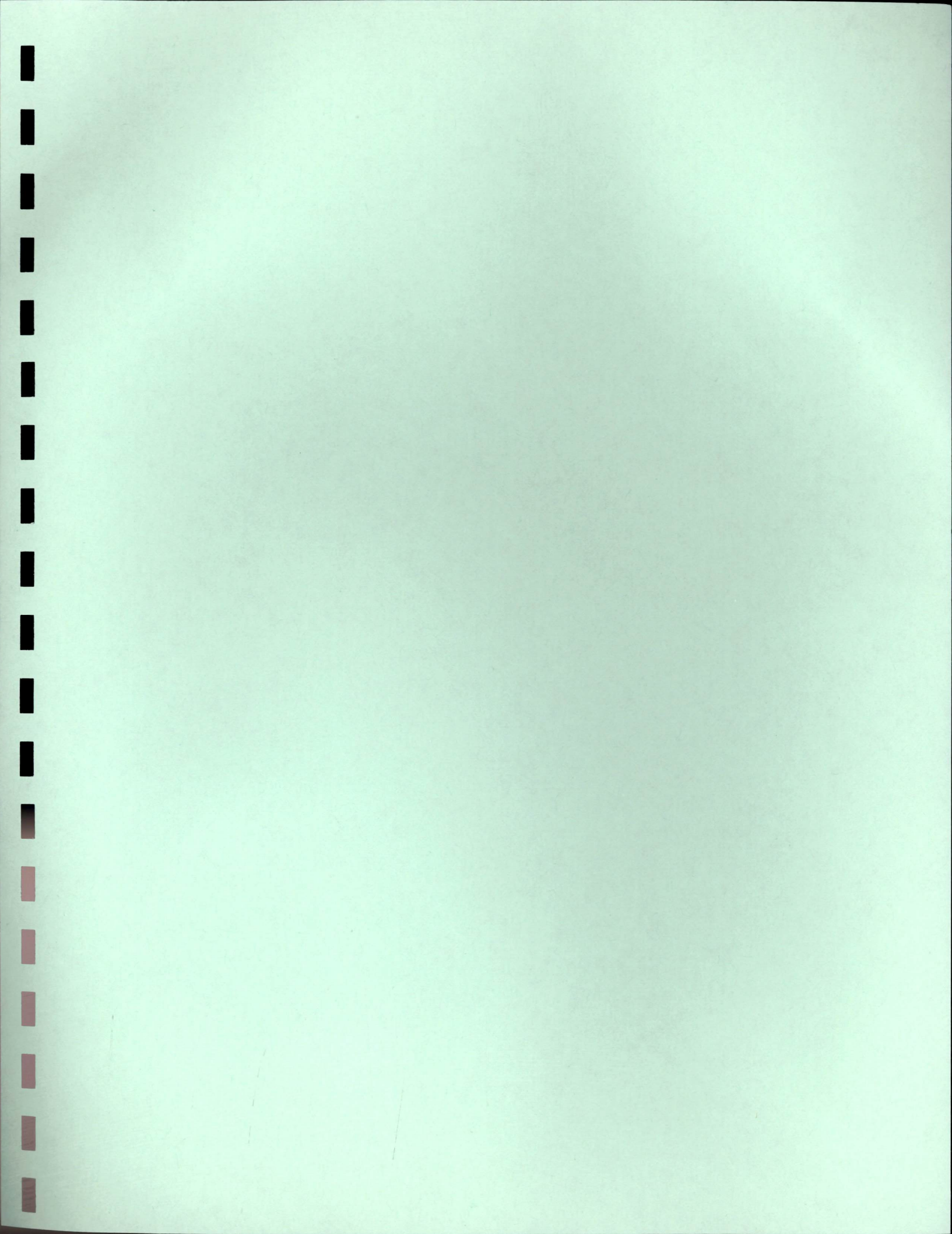
Due to the unique nature of our Territory in terms of economic disparity, to develop Territory strategy statement by Business Unit or develop one plan which can fit all these geographies does not make sense.

Our approach therefore is to develop the best possible business plan on a country by country basis responding to local opportunities .

Top three Business Units for our territory are: FPPS, CEM, C&PM.

1.5 Resource Requirements

All subsidiaries of Territory 2 are facing the same problem: They have a high concentration of large projects but are suffering of lack of qualified resources: industry selling skills are missing (Sales, Consulting and Project management) and a strong CBU coaching is badly needed to assess Market opportunities and suggest local investment.



# Germany Territory FY94/95 Operating Plan

## 1.0 Executive Summary

### 1.1 Territory Charter

1. Focus on profitable DECintegration Business by having the right skills and organisation in place and have applications for Alpha available.
2. Increase Marketshare in High Volume Market especially in PC & Workstation based on the current ongoing and ever increasing downsizing trends in the Germany Marketplace.
3. Integration of Digital / Digital-Kienzle to further decrease Expenses and obtain areas of synergy within CBU's, Selling Towers and supporting functions.

### 1.2 Customer Needs and Business Opportunity

#### Business Opportunities can be summarized by:

Establish and develop PC and commodity opportunities in DCA's and NCA's with Distributors and other indirect Channels (increase distributor business dramatically)

Customer needs based on:

Low cost

delivery within days

Networking and Downsizing Know-how expected

SI-Business in all CBU's, industry segments and Professional Services areas.

Customer needs based on:

Application, System integration and project management know-how

Customer expect us to be a total service provider



# Germany Territory FY94/95 Operating Plan

## 1.3 Competitive Environment

The German IT Market in total is huge (39 billion \$).

Hardware is decreasing whereas Professional Services, Standard SW and application system integration is increasing.

IBM is the top computer company in GY and by far stronger than in other European Country.

SNI is the biggest national supplier with a high marketshare and its revenue added up to more than 5.1 billion \$ in FY92.

At the moment, Digital is the main supplier in technology development and holds therefore a good standing and its expectations are high.

### GENERAL ECONOMIC SETTING

German market with highest economic complexity and most developed SME market in Europe has driven into recession after several years of exceptional growth.

Economic recovery in 1993/1994 will be significantly weaker than expected; (forecast: - 3 to - 1% Growth for the next 12 months, no real up-turn in economy and business environment for the next 18 months)

Government spending continues to undergo heavy cuts

Significant increase in unemployment

Scepticism about the expected improvement in the new German states (the West German domestic product is still 90% of overall German production, the strikes in the steel industry and higher pay claims are affecting investor confidence)

### WILLINGNESS TO INVEST

Customers in our key markets have stopped investment plans of the previous years (Mechanical engineering, automotive, steel, process in particular)

IT budgets are being reduced or stagnating ("saving potential") and critically reviewed in the light of technological changes/transition, cost saving and downsizing. Cautious purchasers are also waiting to see how MS-W/NT, Intel's Pentium and Alpha Technologies settle into the market.

Slow uptum expected in the second half of FY94

Increase in investments in the new German states depend on the duration and outcome of the strikes and the results of collective bargaining.

## IT MARKET

# Germany Territory FY94/95 Operating Plan

- IT market 1992 Europe: 160 B\$, Germany 23%
- IT market 1992 Germany: 37 B\$
- IT market 1992 Germany in products:

PC	5,8 B\$
Workstations	1,4 B\$
Small Systems	0,9 B\$
Midrange	2,3 B\$
Large Systems	0,6 B\$
Very Large Systems	3,8 B\$
Others	2,8 B\$

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Software products	7,0 B\$
Software projects	4,8 B\$
Services	3,7 B\$
Maintenance	3,8 B\$

Expected Growth IT market Germany 1993: Total 0.5 - 1%, high growth rate the PC market, up to 2% growth in the services industry. (Expected Growth IT Market Germany 1991 - 1994: 2,5%)

## MAIN COMPETITORS

Global Player	NOR*) B\$ (1991)	Prof. Services M\$ 92(91)
IBM	5,49 (5,95)	497 (306)
SNI	4,85 (4,34)	358 (330)
Digital/Digital-Kienzle	1,54 (1,50)	173 (81)
HP**)	0,69 (0,63)	104 (84)
Unisys	0,28 (0,25)	38 (35)
Bull	0,27 (0,31)	75 (69)

\*) normed to Calendar years

\*\* ) IT- Business

# Germany Territory FY94/95 Operating Plan

- SW/Serv. Houses	NOR B\$ (1991)	
-----		
CAP/debis	N/A	
Anderson	"	
EDS	"	
SAP	"	
- Distr/PC-Sellers	NOR B\$ 1992 (1991)	
-----		
Computer 2000	1,0	
VOBIS	N/A	(13,5% PC-Marketshare)

## CONCLUSION

In an increasingly narrow market characterised by very conservative investment behaviour, our chances lie in a differentiated industry and customer approach and in dealing with our competitors in a more market, solution and channel focussed than global way. We have to be prepared to compete with the strengths of the most successful suppliers, differing from channel to channel: in the PC/fast selling segment Computer 2000, VOBIS, HP), in the configured solution/partner selling segment (IBM, SNI, HP) and in the system integration/large project segment (IBM, SNI, DEBIS, Anderson). There is a more positive view of the opportunities for growth in the second half of FY94 and in FY95. By that time, our starting position must be better than or as good as that of our major competitors. After completion of the consolid phase we have to fight for marketshares on the expense of our competitors within a marginal growing market. We have a loyal customer base and a good large-project acceptance.

## 1.4 Business Strategies

1. Expense reduction to gain competitiveness
2. Implement selling channels (Selling Tower Model)
3. Despite of the Germany economy (GNP - 2%) our strategy is to keep marketshare and revenue on FY93 level.

# Germany Territory FY94/95 Operating Plan

## 1.5 Resource Requirements

Resource Plan - Digital GmbH Germany (30.06.93)  
In order to maintain Marketshare and FY94 NOR Plans:

Resources as follows are required:

	Digital	Digital/Kienzle
CBU DMD	89	97
CBU CPM	47	79
CBU CEE	43,5	0
CBU FPPS	64	85
CBU HCI	16	4
PBU C & P	9	
MCS	821	782
DECdistribution	210	
DECmerchandize	120	
Service (Prof. Serv. + IS/IMT)	956	652
Support (Sales/ Service)	697,3	878
<b>TOTAL</b>	<b>3072,8</b>	<b>2577</b>

Major headcount reductions have taken place to insure profitability  
(headcount reduction more than 30% in sales resources)

After massive downsizing of 1000 resources within 4 quarters in three steps  
we need to stabilize our organization.

FY94 has to be the year of reskilling and establishing the right skill mix to  
the business needs (according to system integration, DECdistribution and  
DECmerchandizing)

# Germany Territory FY94/95 Operating Plan

## 1.6 Financial Summary.

This Revenue Requirements are based on the current organizational set and do not include any potential changes resulting from Digital Plus organizational concept in Germany.

### Territory Germany (Mio A\$)

FY94	Revenue	Expenses
CEE	115,1	31,0
CPM	176,8	63,0
DMD	252,9	86,8
FPPS	237,8	75,4
HCI	49,9	17,3
PCB	43,8	8,0
CAP	47,7	3,2
<u>MCS</u>	<u>485,9</u>	<u>77,7</u>
<b>TOTAL</b>	<b>1409,9</b>	<b>362,4</b>



# Switzerland, Belgium, Holland and Luxembourg Territory FY94-95 Operating Plan

## 1.0 Executive Summary

The four countries (BELGIUM, LUXEMBURG, THE NETHERLANDS, SWITZERLAND) comprising Euro4 represent 1.2 Bio (\$ Act) of FY94 revenue at 52% gross margin, 32% profit margin and 14% SG&A. The Digital population in the 4 subsidiaries is 3800.

The significant contribution to European volumes (close to 20%) can be compared with a participation in European population and GDP of appr. 10%. This is due to Digital's significant market share and the acquisition of Philips Data Systems. Although the latter, primarily felt in the Netherlands, puts severe strain on margins and SG&A, an aggressive cost reduction plan has kept the overall cost structure in healthy shape.

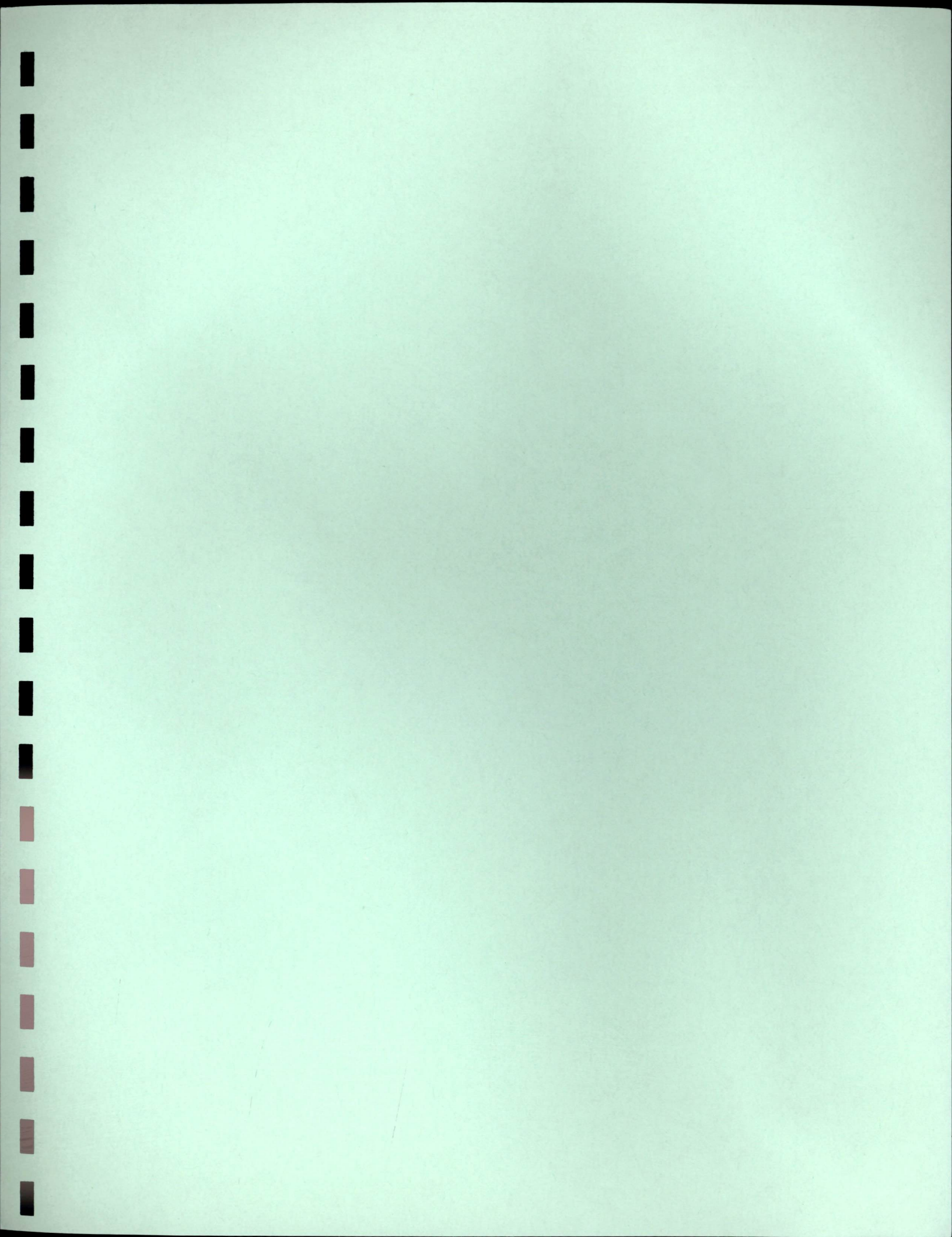
The overall economic outlook (FY94) is quite grim in all four countries, where most analysts now predict slightly negative GDP growth. The main markets are FPPS and C&PM; MCS is 1/3 of overall revenue.

Nevertheless significant business opportunities exist in New markets/New Name Accounts and in domains such as office, downsizing/re-engineering, SAP and Systems Integration.

The Territory mgmt team will essentially consist of 5 people :

Country Manager The Netherlands	Arie Van Leusden
Country Manager Switzerland	Henry Keller
EURO4 MCS Manager	Henk Vermaat
EURO4 Operations Manager	Paul Santner
EURO4 Territory Manager	Paul Van der Spiegel

The main role will consist in interfacing with the BU's, insuring that adequate plans and controls are in place at Country level, and getting involved more on an ad-hoc basis in these areas where issues need to be managed or additional revenue opportunities are identified.





# Nordic Territory FY94/95 Operating Plan

## 1.0 Executive Summary

### 1.1 Territory Charter

- Seeking alliances/partners for improved coverage of the the market that is currently not penetrated by Digital.
- Creation of a Best in Class cost efficient organization.
- Interchange of experience and skills in the SI area within Nordic.

### 1.2 Customer Needs and Business Opportunity

- Business reengineering and downsizing.
- Customer's IT outsourcing
- Specific industry application needs.
- Certain local product requirements enforced by law.

### 1.3 Competitive Environment

The information technology market in Nordic tend to lead in adapting new ideas. High pressure currently on PC HW and SW development. Product advantage with Alpha AXP can be leverage if timing and delivery works well.

Digital is positioned as number 2 or 3, depending on the country, in a market currently dominated by IBM. In the PC arena the main competitors are ICL, IBM, Apple, Dell, Compaq and Olivetti.

MCS in Nordic is in general strong, but there are clear signs that both volume and profitability will drive down. Reasons are, among other, changes in technology and incresed competition from TPM.

# Nordic Territory

## FY94/95 Operating Plan

### 1.4 Business Strategies

#### Market share

- Efficient leveraging of the CBU resources and know-how close to the customer.
- Effective Merchandizing organization and customer focused marketing needed.
- A Nordic partner strategy and implementation program for cross-Nordic partners.
- MCS to grow market share into third party space by alliances or joint ventures.

#### Profitability

- Develop sales specialisation in solution selling and products selling while maintaining the crucial customer relationships and industry focus.
- Improve our capability at the risk analysis and management at SI projects.
- Effective MCS service delivery organization and infrastructure.

#### Customer satisfaction

- To simplify internal processes and systems and improve the quality of internal work by implementing TQM.
- Improve reliability and quality of the delivery process.

### 1.5 Resource Requirements

- Development and reskilling of human resources to fit the new Corporate model.
- Cross industry specialisation in SI.
- MCS alliances to increase competencies and skills.

# Nordic Territory FY94/95 Operating Plan

## 1.6 Financial Summary

### FY93 in A\$

	CEM	DMD	FPP	HCI	CPM	CAP	SSB	PCB	MCS
NOR	70,9	46,7	97,5	28,0	83,4	11,1	2,0	32,5	200,5
Expenses incl Area	14,3	10,4	22,6	6,7	20,8	2,5	0,9	5,9	20,1

### FY94 in A\$

	CEM	DMD	FPP	HCI	CPM	CAP	SSB	PCB	MCS
NOR	65,4	41,7	79,9	28,0	74,1	12,1	2,5	30,0	173,3
Expenses incl Area	13,2	8,8	18,9	6,7	18,0	1,8	0,6	5,5	17,5

### FY95 in A\$

	CEM	DMD	FPP	HCI	CPM	CAP	SSB	PCB	MCS
NOR	70,0	44,5	79,6	31,8	78,3	13,6	2,4	38,4	169,9
Expenses incl Area	12,6	8,7	17,4	6,4	17,8	2,2	1,0	6,0	16,1



# Italy Territory FY94/95 Operating Plan

## 1.0 Executive Summary

### 1.1 Territory Charter

- # Profitably improve DEC market share as global Information Technology provider becoming the # 3 after IBM and Olivetti, within the next two years. (This goal is true, without considering the overall business through Olivetti).
- # Understand and satisfy the customers needs providing excellent services, products and solutions.
- # Maintain and improve the employees motivation, competencies and identification with the company.

### 1.2 Customer Needs and Business Opportunity

Our economy is characterized by the presence of a restricted number of large enterprises (of which many "state owned") and millions of small/medium ones.

The I.T. penetration level in Large Enterprises is fairly high; customer needs are mainly in the area of application improvements, down sizing, standardization and integration.

Small/medium enterprises still presents a lower level of Information Technology penetration and customer demand is mainly of application solutions.

The new business opportunities are in some key segments, like Retail, Utilities, Banks, and Defense, in the Small/Medium Enterprises through the indirect channel and in the PC market.

The downsizing of the traditional mainframe environment on the Alpha OpenVms/ Osf platform and the upsizing of the PC-lan environment by the Alpha PC/NT platform represent the key business opportunities.

# Italy Territory

## FY94/95 Operating Plan

### 1.3 Competitive Environment

The political uncertainty is badly affecting the Information Technology market, with a significant delay or reduction of investments, mainly, but not only, in the Public Sectors. for this reason the total I.T. mkt should grow at a rate of only 2% next year.

Digital has the 3.5% of mkt share and is the fourth vendor behind IBM (20.8%), Olivetti (11.3%) and Bull (3.6%).

IBM has a dominant presence in the central and administrative sites in all the sectors and through a large indirect channel has a strong presence in the Small and Medium enterprises market, based on the AS400 offer. It is #2 in the PC market. For the first time during the first quarter of this Calendar Year, loosed mkt share (-13.8% of Revenues).

Olivetti, as local provider is very strong in the Banking (branch systems), Central and Local government and Defense sector. It is #1 in PC market. Very large resellers networks. Poor reputation as services provider.

Bull mkt share in the Public, Defense and Small Banks is declining as well as its reputation.

HP is gaining Mkt share. Excellent image of technology provider, mainly in the UNIX, workstations and printers. Not yet perceived as System Integrators provider and as a services company. Ist major strength is the indirect channel.

### 1.4 Business Strategies

We intend to focus on the top 100 customers and the top 400 prospects through direct sales account teams mainly in the System Integration business and complex systems.

We will develop a strong indirect channel for selling products and solutions on the rest of the market.

We intend to develop a stronger presence in the PC market developing a dedicated channel.

# Italy Territory FY94/95 Operating Plan

We will maintain a strong focus on the Technical/OEM partners and start up the component business channel.

We intend to establish the right synergy with Olivetti in order to further increase the overall Digital products and services business opportunities.

## 1.5 Resource Requirements

Availability of the skilled advisory and delivery services resources as outlined in each partnership agreement.

Availability of the investments and mktg programs expenses from the Customer Business Units/Business Units, as outlined in each partnership agreement.

Availability of the necessary Pan-european resources (manpower and expenses) dedicated to the territory: i.e. Marketing Communication and Supply Chain.





# France Territory FY94-95 Operating Plan

## 1.0 Executive Summary

### 1.1 Territory Charter

According to our Vision/mission, the 3 key areas of focus are :

- . Meet profit and channel costs goals by Business Units within the high volume and high value strategy.
- . Be in the top 3 vendors for customer satisfaction and recognized quality.
- . Significantly improve employee satisfaction and confidence in the company, its strategy and its long term future.

### 1.2 Customer Needs and Business Opportunity

#### A) Key customer characteristics :

On a total of 4000 customers, 50 top accounts represent more than 50% of total revenue. The majority of the top customers are government owned.

#### B) Customer needs / Opportunities :

- . Significantly reduce IS costs vs turnover. (downsizing, standardisation, ...)
- . Integrate heterogeneity of applications and systems. (networking, UNIX and Open Systems)
- . Re-engineering of business processes. (Client/Server, new IT Architecture, new technologies, consulting and project management)
- . Total quality, reliability, efficiency of their IS infrastructure and vendors relationship. (Supply Chain )
- . Long term relationship through total service commitment and technology longevity. (compatibility with ALPHA, ISV partnership and UNIX commitment)

#### C) Local practices :

- . "Good citizenship" image : local investment / employment, contribution to exports. More important in France because of large government responsibility in the economy.
- . French language used for documentation and sales/marketing relations.

# France Territory

## FY94-95 Operating Plan

### 1.3 Competitive Environment

- . On a total of \$ 24 B IT expenditures, our target market accounts for \$ 11.5 B
- . In CY92 the target market decreased by 8 % in value. We forecast for CY93 a - 5 to -10 % decrease.
- . In such a depressive market we will continue to gain market share against IBM, and BULL. We expect to stabilize our relative position vis a vis HP, the PC and W/S vendors. The current market shares are : IBM 30 %, BULL 17 %, Digital 7 %, HP 7 %.

### 1.4 Business Strategies

A) Implement a channel organization (cost and quality) providing :

- . One of the 3 best merchandizing channels
- . One of the 5 best distribution channels
- . A strong partnership with all major partner's/Systems Houses/ISV's

B) Focus on top 50 accounts and target 450 others for future development and growth. Provide for the largest accounts, a global partnership for re-engineering and integrating their application/processes.

C) Be an active member of the total DIGITAL quality strategy (supply chain and ISO9000, ...) and streamline our cost structure to be Best In Class over the next 18/24 months (In particular through reskilling, specialisation, and infrastructure cost realignments).

D) Focus on still growing sectors :

- . Client/server, MVS, UNIX/WS
- . System integration and consulting
- . T/OEM, distribution
- . Telecom, health, retail and distribution, retail banking markets

# France Territory FY94-95 Operating Plan

## 1.5 Resource Requirements

- . Succeed in our selling organisation re-engineering (High value selling, product and service specialisation, non face to face activities)
- . Recruit new profiles mainly in professional services and sales (especially from newly graduated population)
- . Keep people morale up while re-engineering.
- . Have a pause in people downsizing (after 28 % headcount reduction in FY93)



**Digital Equipment Corporation**

**FY94 Corporate Plan**

(\$ Mils)

	Commun Education & Media <u>Kozlowski</u>	Consumer Process Transp <u>Klein</u>	Discrete Mfg & Defense <u>McCabe</u>	Finance Prof & Pub Services <u>Ryan</u>	Health Care Industries <u>Shire</u>	Personal Computer <u>Pesatori</u>	Storage <u>Christ</u>	Component: & Peripherals <u>Cabrinetv</u>	Multi Vendor Services <u>Rando</u>	Inter BU <u>Elim</u>	Compet Gap <u>Adi</u>	Corporate Plan
<b>NOR</b>												
Product	1,110	1,425	1,457	1,683	638	1,527	1,491	1,427	0	(1,857)	(456)	8,446
Service	<u>420</u>	<u>525</u>	<u>442</u>	<u>622</u>	<u>165</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>4,674</u>	<u>0</u>	<u>0</u>	<u>6,854</u>
Total	1,530	1,950	1,899	2,304	803	1,527	1,491	1,434	4,674	(1,857)	(456)	15,300
<b>COGS</b>												
Product	648	766	861	923	357	1,226	1,187	900	0	(1,857)	36	5,047
Service	<u>343</u>	<u>445</u>	<u>366</u>	<u>531</u>	<u>130</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>2,451</u>	<u>0</u>	<u>(33)</u>	<u>4,237</u>
Total	991	1,210	1,227	1,454	488	1,226	1,187	904	2,451	(1,857)	3	9,284
<b>Gross Margin</b>												
Product	462	659	596	760	281	301	304	528	0	0	(492)	3,399
Service	<u>77</u>	<u>81</u>	<u>76</u>	<u>90</u>	<u>35</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>2,224</u>	<u>0</u>	<u>33</u>	<u>2,617</u>
Total	539	740	672	851	315	301	304	529	2,224	0	(459)	6,016
<b>Gross Margin %</b>												
Product	41.7%	46.3%	40.9%	45.2%	44.0%	19.7%	20.4%	37.0%		0.0%		40.2%
Service	18.3%	15.3%	17.2%	14.5%	21.0%				47.6%			38.2%
Total	35.2%	37.9%	35.4%	36.9%	39.3%	19.7%	20.4%	36.9%	47.6%	0.0%		39.3%
<b>R&amp;E</b>	147	166	176	227	65	77	146	92	193	0	131	1,420
<b>SG&amp;A</b>	496	675	656	778	256	242	81	269	526	0	26	4,005
<b>Operating Profit</b>	(104)	(102)	(160)	(155)	(6)	(18)	78	168	1,505	0	(616)	591
<b>%</b>	-6.8%	-5.2%	-8.4%	-6.7%	-0.7%	-1.2%	5.2%	11.7%	32.2%	0.0%		3.9%
<b>Profit After Tax \$</b>												487
<b>Profit After Tax %</b>												3.2%
<b>EPS</b>												\$3.50

**Digital Equipment Corporation**  
**FY95 Corporate Plan**  
(\$ Mils)

	Commun Education & Media <u>Kozlowski</u>	Consumer Process Transp <u>Klein</u>	Discrete Mfg & Defense <u>McCabe</u>	Finance Prof & Pub Services <u>Ryan</u>	Health Care Industries <u>Shire</u>	Personal Computer <u>Pesatori</u>	Storage <u>Christ</u>	Component: & Peripherals <u>Cabrinity</u>	Multi Vendor Services <u>Rando</u>	Inter BU Elim	Compet Gap Adj	Corporate Plan
<b>NOR</b>												
Product	1,177	1,503	1,567	1,730	717	2,200	2,411	1,797	0	(2,437)	(1,034)	9,631
Service	<u>542</u>	<u>585</u>	<u>522</u>	<u>715</u>	<u>206</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>5,000</u>	<u>0</u>	<u>(325)</u>	<u>7,252</u>
Total	1,719	2,088	2,089	2,445	923	2,200	2,411	1,804	5,000	(2,437)	(1,359)	16,883
<b>COGS</b>												
Product	660	810	929	1,002	375	1,675	1,797	1,153	0	(2,437)	104	6,067
Service	<u>423</u>	<u>486</u>	<u>387</u>	<u>574</u>	<u>157</u>	<u>17</u>	<u>8</u>	<u>17</u>	<u>2,725</u>	<u>0</u>	<u>(296)</u>	<u>4,497</u>
Total	1,083	1,295	1,316	1,576	532	1,692	1,805	1,170	2,725	(2,437)	(192)	10,564
<b>Gross Margin</b>												
Product	517	693	638	728	342	525	615	645	0	0	(1,138)	3,565
Service	<u>119</u>	<u>100</u>	<u>135</u>	<u>141</u>	<u>50</u>	<u>(17)</u>	<u>(8)</u>	<u>(11)</u>	<u>2,275</u>	<u>0</u>	<u>(29)</u>	<u>2,755</u>
Total	636	793	773	869	391	508	607	634	2,275	0	(1,167)	6,319
<b>Gross Margin %</b>												
Product	43.9%	46.1%	40.7%	42.1%	47.7%	23.9%	25.5%	35.9%		0.0%		37.0%
Service	22.0%	17.0%	25.9%	19.7%	24.0%				45.5%			38.0%
Total	37.0%	38.0%	37.0%	35.5%	42.4%	23.1%	25.2%	35.2%	45.5%	0.0%		37.4%
<b>R&amp;E</b>	134	161	163	200	69	111	196	117	199	0	2	1,351
<b>SG&amp;A</b>	464	604	557	669	276	330	141	316	551	0	94	4,002
<b>Operating Profit</b>	38	28	53	0	46	67	270	202	1,525	0	(1,263)	966
<b>%</b>	2.2%	1.3%	2.5%	0.0%	5.0%	3.0%	11.2%	11.2%	30.5%	0.0%		5.7%
<b>Profit After Tax \$</b>												777
<b>Profit After Tax %</b>												4.6%
<b>EPS</b>												\$5.50

# FY94 Cash Flow

## June Finance Assessment

(\$Mils)

	<u>Q1</u> <u>Assess</u>	<u>Q2</u> <u>Assess</u>	<u>Q3</u> <u>Assess</u>	<u>Q4</u> <u>Assess</u>	<u>Total</u> <u>Assess</u>
Beginning Cash	\$ 1,575	\$ 1,275	\$ 1,125	\$ 1,435	\$ 1,575
Net Income	\$ (110)	\$ 83	\$ 160	\$ 354	\$ 487
Receivables	168	(137)	40	(162)	(91)
Inventories	(69)	63	112	150	256
Restructuring-Cash Exp.	(160)	(150)	(164)	(144)	(618)
Other Working Capital	(195)	(69)	157	(2)	(109)
Sub-total	\$ (366)	\$ (210)	\$ 305	\$ 196	\$ (75)
Capital Spending	\$ (208)	\$ (230)	\$ (198)	\$ (164)	\$ (800)
External Investments	(25)	(57)	(44)	(24)	(150)
Depreciation/Other	259	250	240	236	985
Sub-total	\$ 26	\$ (37)	\$ (2)	\$ 48	\$ 35
<b>Total from Ops. &amp; Investing</b>	<b>\$ (340)</b>	<b>\$ (247)</b>	<b>\$ 303</b>	<b>\$ 244</b>	<b>\$ (40)</b>
<b>Financing Activities:</b>					
Employee Stock Plans	\$ 40	\$ 97	\$ 7	\$ 101	\$ 245
Debt	0	0	0	0	0
Sub-total	\$ 40	\$ 97	\$ 7	\$ 101	\$ 245
<b>Total Change</b>	<b>\$ (300)</b>	<b>\$ (150)</b>	<b>\$ 310</b>	<b>\$ 345</b>	<b>\$ 205</b>
<b>Ending Cash</b>	<b>\$ 1,275</b>	<b>\$ 1,125</b>	<b>\$ 1,435</b>	<b>\$ 1,780</b>	<b>\$ 1,780</b>

# Asset Summary

## June Finance Assessment

(\$Mils)

	<u>FY92</u>	<u>FY93 *</u>	<u>FY94</u>
Ending Cash	\$ 1,337	\$ 1,575	\$ 1,780
DSO	83 days	75 days	68 days
Accounts Receivable	\$ 3,594	\$ 3,168	\$ 3,259
Inventory Turns	5.1x	4.9x	5.4x
Net Inventory	\$ 1,614	\$ 1,856	\$ 1,600
Capital Spending	\$ 710	\$ 559	\$ 800
External Invest. Spending	\$ 330	\$ 318	\$ 150

\*Includes four rounds of financing, net of discounts and fees.





# Digital Equipment Corporation

## FY94/95 Business Plan

### 8.0 Risks and Opportunities

The Business Unit plans, summarized in Section 4, project aggressive growth and a significantly improved profit picture. Successful implementation of those plans depends heavily on each part of the organization fulfilling agreements which have been made: among Business Units and Territories; among Business Units and Functions; and, among Territories and functions. In addition, the following key initiatives will determine Digital's success in FY94:

- for the Product Business Units, development and exploitation of new distribution channels
- for the Customer Business Units, development of focused solutions portfolios to address the specific requirements of their customers
- for the PC Business Unit and the Customer Business Units, successful implementation of the Alpha program
- for the total Company, improving effectiveness of sales and marketing.