



FY93 U.S. SALES INCENTIVE PROGRAM

THREE PART PROGRAM

*full
compensation*

Personal Performance Incentive (PPI) Program

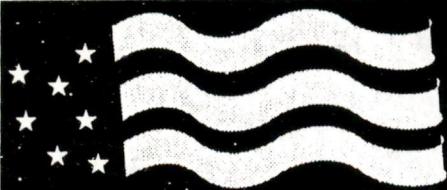
- Rewards performance up to goal sales achievement

Sales Performance Incentive (SPI) Program

- Rewards performance for exceeding sales goal achievement

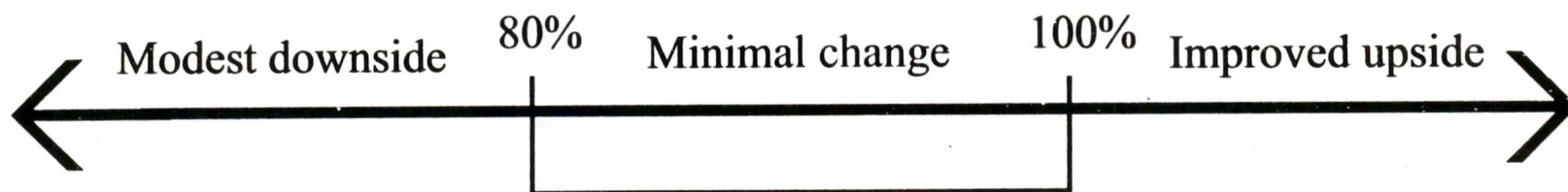
Account Group Team SPI Adder

- Encourages teamwork and revenue growth
- Increases SPI earnings potential



FY93 U.S. SALES INCENTIVE PROGRAM

SALES PERFORMANCE SPECTRUM



**FY92 vs FY93
PLAN PAYOUT OPPORTUNITY**



FY93 U.S. SALES INCENTIVE PROGRAM

PERSONAL PERFORMANCE INCENTIVE (PPI)

- Rewards performance up to goal achievement for eligible individual contributors and sales managers

- Salaries of participants are to be reduced 10% in January
 - Due to mid-fiscal year implementation, this is a 5% impact
 - On a full fiscal year basis, this will be a 10% salary adjustment

- 1% of adjusted annual salary paid for each PPI performance threshold achieved — 40%, 50%, 70%, 80%, 90%, and 100% of annual budget (no payment at 60%)

- PPI payments based on Annual PPP quantitative orders goals of individual or Joint-team goaling
- Payments made on monthly basis



FY93 U.S. SALES INCENTIVE PROGRAM

SALES PERFORMANCE INCENTIVE (SPI) PROGRAM INDIVIDUAL OPPORTUNITY

Category	Budget Size		Value Per Point
	End User/ADEG	Channels	
A.	\$0-1.9M	\$0-2.9M	\$200
B.	\$2-3.9M	\$3-5.9M	\$220
C.	\$4-7.9M	\$6-11.9M	\$240
D.	\$8+M	\$12+M	\$260

Note: Unit-goaled individuals earn SPI in Category A, only



FY93 U.S. SALES INCENTIVE PROGRAM

SALES PERFORMANCE INCENTIVE (SPI) ACCOUNT GROUP TEAM ADDER

- Account groups or select accounts have opportunity to increase their SPI point values by \$40
- To qualify, account groups or accounts must achieve 10% or greater revenue (NOR) growth
- Select accounts will be nominated by Account Territory Managers and approved by U.S. Team



FY93 U.S. SALES INCENTIVE PROGRAM

FY93 EARNINGS OPPORTUNITY COMPARISON

Current Salary \$66,000

Achievement of budget	FY92 Earnings*	FY93 Minimum Earnings	FY93 Maximum Earnings
39%	\$66,000	\$62,700	\$62,700
40%	\$66,000	\$63,294	\$63,294
60%	\$66,000	\$63,888	\$63,888
80%	\$66,000	\$65,076	\$65,076
100%	\$66,000	\$66,264	\$66,264
120%	\$67,440	\$70,264	\$72,264
140%	\$68,880	\$74,264	\$78,264
160%	\$70,320	\$78,264	\$84,264
180%	\$71,760	\$82,264	\$90,264
200%	\$73,200	\$86,264	\$96,264

*excludes SCA
payments



FY93 U.S. SALES INCENTIVE PROGRAM

SALES PERFORMANCE INCENTIVE (SPI) PROGRAM INDIVIDUAL OPPORTUNITY

Category	Budget Size		Value Per Point	Account Group Team Adder
	End User/ADEG	Channels		\$40 Per Point
A.	\$0-1.9M	\$0-2.9M	\$200	\$240
B.	\$2-3.9M	\$3-5.9M	\$220	\$260
C.	\$4-7.9M	\$6-11.9M	\$240	\$280
D.	\$8+M	\$12+M	\$260	\$300

help
communications

① Define needs on sales proposals before we decide (NORA).

② MCS 6 TO 4 Conns (Pogit/Loe)

③ MAX PS 6 TO 5 Conns (Roseann/Mat)

④ 5 Regional MKtg people will be conns people too - Train them.

⑤ Steve Jacobs and Charlie agree on Community relations (memo to Charlie + Steve)

⑥ advertising / Public Rel. person at "HQ" should be challenged. (I'll discuss @ Charlie)

U.S. Communications

⑦ - Digital today gone?? Note to Charlie: (Nora you let me know why we did it)
who change it? **Proposal**

Sandy Carpentier
5/25/93

⑧ get me budgeted for Hard cc Sales update DUNS (Tom/Nora)

- DRAFT -



Current Situation

1000+ Communications-coded employees worldwide 1993

21 125+ in the U.S.

26 identified by U.S. management as Communications

Proposal

585 Communications-coded employees worldwide 1994

60 in the U.S. Territory
20 @ Headquarters
35 @ Regions
5 @ Centralized Hotline

Benefits

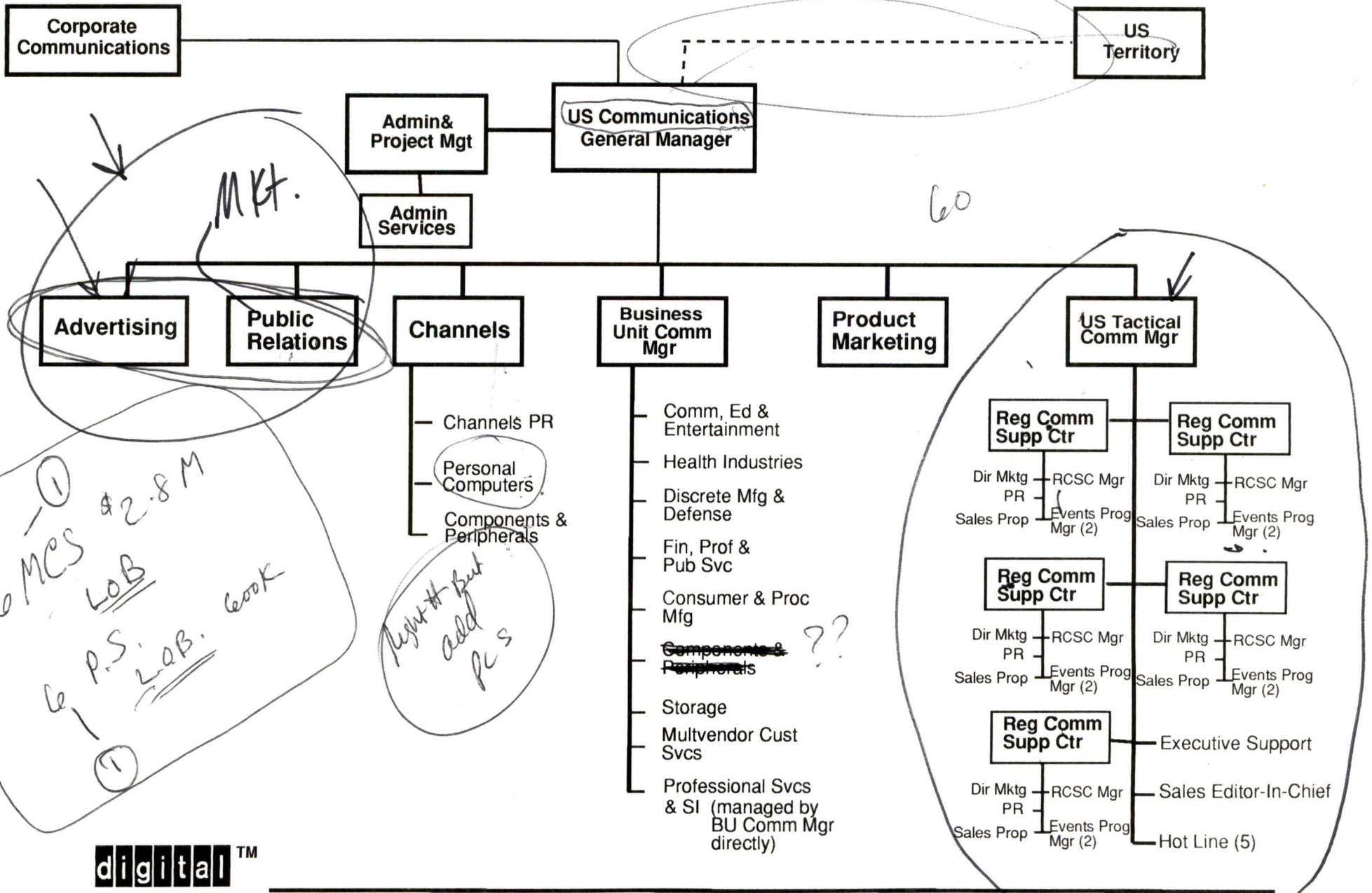
- Focus into ONE U.S. Communications plan
- U.S. Management Team controls plans and activities
- Eliminate field selling interrupts by corporate lobbyists
- Assure mechanisms and measurements are in place

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Communications Organization Chart



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U.S. Communications Center

U.S. General Manager

- Advertising ✓
- Public Relations ✓
- Executive Management Support ✓
- Sales Communications - Editor
- Product Marketing Manager
- Professional Services and SI Manager
- 9 Business Unit Managers
- Channels Manager
- Project Manager and Admin Support to General Manager
- 2 Secretaries

Headcount = 20 People



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5 Regional Communications Support Centers

- ~~Manager - Regional Communications~~
- 2 Events Program Managers - ~~1 Channels, 1 Direct~~
- Direct Marketing / Lead Management
- Sales Proposals - ??
- PR, Community Relations, Local Wins
- Secretary

Headcount Per Region = 7 People x 5 Regions

Headcount = 35 People

U.S. Information Center

It is proposed that 5 Regional Marketing Associates be centrally located in one information center. This information center will work in conjunction with the 5 Regional Communications Support Centers and will provide one 1-800 number. (This is in contrast to the original plan that suggests 10 Regional Marketing Associates, with 2 located in each region and 5 different 1-800 numbers.)

The single, central location for an information center would allow for ease of training, consistent access to a single data base by all Marketing Associates, a single 1-800 number for all regions, and it would require half the headcount as was originally proposed.

Headcount = 5 People

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Merchandising Center

There is no plan within the U.S. Communications cluster for a Merchandising Center. The DMO organization is separate and will act as a demand generation resource. (See Marilyn Rutland for details)



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Headcount Summary

U.S. Communications Center	20 People
Regional Communications Support Centers	35 People
U.S. Information Center	5 People
<hr/>	
Total Headcount	60 People



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Job Descriptions and Skill Set Requirements

U.S. General Manager

U.S. General Manager

Senior Communications Person (Level 42) with general management experience in the function, field experience and a thorough grounding in all of the Communications disciplines (advertising, PR, AR, writing, editing, events, channels, and direct sales communications). This person will manage the headquarters operations and co-manage the Regional Communications managers along with the Regional Marketing Managers. U.S. Travel requirements 30-50%.

Advertising Manager

Senior Advertising Manager with experience working with corporate advertising staff and agencies. Person must be able to assess U.S. territory requirements for advertising at the branding campaign level and industry/product level and be able to communicate those requirements to the corporate staff. He/she must also be able to assist the regional sales organizations with localized campaigns. Minimum of 5 years experience in advertising. U.S. travel requirements 25%.



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Job Descriptions and Skill Set Requirements

U.S. General Manager (cont'd)

Public Relations Manager

Public Relations person with some U.S. field experience with East and West Coast press and Analysts. The PR person is responsible for the development of a PR plan for the U.S. Territory with particular attention to regional PR opportunities. This person will have the five regional PR people reporting to him/her and work closely with the corporate PR staff. This person will spend much time in the field helping to assess PR opportunities in the regions. Minimum 7 years PR experience. Travel requirement 30-50%.

Executive Management Support

This person will be responsible for the speech calendar and speech writing for the U.S. Management Team with priority to the U.S. V.P. of Marketing and Sales. He/she will endeavor to coordinate speech topics with the corporate communications messages, regionalized for the U.S. Territory. In addition, this person will develop and manage special presentations materials for the management team. (Routine presentations will be developed by the administrative staff.) This person must be self-reliant with Powerpoint and other communications software and have a minimum of 5 years experience in speech writing and presentation development. 25% travel requirement.



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Job Descriptions and Skill Set Requirements

U.S. General Manager (cont'd)

Sales Communications, Editor-in-Chief

This person will manage the localization and distribution of all electronic and hard copy information designed for the sales organization via Sales Update, Selling News and Reader's Choice. The work, (i.e., the physical layout and design and distribution) will be subcontracted back to the corporate news bureau. This person will coordinate getting local pricing and business practices and other U.S. relevant information into the above mentioned information vehicles and manage the budget associated with the contract with the corporate news bureau. Minimum 5 years experience with news editing and writing. Sales experience very helpful. 15-25% travel requirement.

Product Marketing Manager

This person will be aligned with and on the staff of the Communications Product Manager and will represent the U.S. position on product communications requirements. This person will work closely with the U.S. Editor-in-Chief for Sales Update and will be responsible for the quality of the content. Ability to understand technical product information is a requirement along with writing and editing experience. Minimum travel requirement.



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Job Descriptions and Skill Set Requirements

U.S. General Manager (cont'd)

Managers for PS/SI

The Communications managers for these groups will be content experts and have the responsibility for assuring that the programs and messages are appropriate for the U.S. field and are integrated with consistency.

Business Unit Managers

Business Unit Communications managers will be content experts for their Business Unit and have general communications experience in the U.S.. They will have broad responsibility for understanding the Business Unit marketing plans and help to monitor the U.S. Communications activity and adjust for geographic requirements and rates of activity. They will advise the Business Units on overall U.S. plans and coordinate plans so that the plans are not redundant or excessive. They will jointly report to the Business Unit Director of Communications and the U.S. Director of Communications. Approximately 25% travel required.

Job Descriptions and Skill Set Requirements

U.S. General Manager (cont'd)

Channels Manager

This person will report to both the Worldwide Channels Communications Director and the U.S. Communications Director and will have responsibility for the development of a communications plan for Channels. She will recommend the best communications sales vehicles and monitor the Channels versions of the communications vehicles for appropriateness of the information and the ability to reach the audience. She will co-manage the Channels regional communications persons along with the Communications Regional managers. These six people will constitute the Channels Team that will set communications strategy and tactics for the U.S. Territory. As much as 50% travel required.

Project Manager

This person will act as both the administrative support to the Communications General Manager and as a Project Manager (WC 3, Level 33) with specific responsibilities to oversee the overall projects and budgets. The information will be kept on a spreadsheet and updated and circulated monthly or as required. No travel required.

Secretary

Two secretaries will support the 19 people. The U.S. General Manager will be supported by the Project Manager.



Job Descriptions and Skill Set Requirements

Regional Communications Support Centers

Manager - Regional Communications Support Center

The 5 regional Communications Managers along with the headquarters personnel will represent a virtual communication team located in each of 5 regions. They will be called upon to support activities outside of their geography when required. Each Communications Manager will report to the U.S. Communications Director and the Regional Marketing Manager. They will have responsibility for the overall management of communications in their region and the balancing of the activity across the businesses. These managers must have expertise across the communications disciplines. Minimum experience, 10 years cumulative in various disciplines and a thorough understanding of sales. They must be skilled at delegation, coordination and assessment and measurement of the success of a communications program. Travel throughout the region required and 20 - 50% travel outside the region possible.

Events Program Manager(s)

The Events Program Manager must be experienced in planning and implementing events from small local customer on-sites to major trade shows. The person must be capable of developing a regional plan that benefits the local sales organization. He/she will work with Sales Management to assure that the events are useful for that region in helping to develop and close business. Also, all Events Managers within the U.S. Territory will work as a team to support corporate-sponsored road shows, seminars and trade shows. The

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Events Program Managers (cont'd)

Channels Events Manager must have experience working with VARs, resellers, etc.. 5 to 10 years experience with events management and implementation. Regional travel requirements, 75%.

Direct Marketing/Lead Manager

This is a key field position and carries responsibility for approval, implementation and measurement for Direct Marketing in the region. This person will work closely with the Territory Business Unit and Product Marketing manager to assure the usefulness and measureability of Direct Marketing projects affecting their region. They will be responsible for the updating of regional contact names and the overall measurement and success of Direct Marketing in their region. A minimum of 5 years experience in Demand Generation and local Direct Marketing vendor experience. Must have thorough understanding of local buying practices and culture. Regional travel requirements, 50%.

Sales Proposals Expert

This person will work closely with the Sales management in the selection of accounts requiring special sales proposal support. In addition, he/she, along with the other four proposal managers will select standard templates and tools for all U.S. Sales proposals. When possible, they will make these tools available to administrative and sales people in the territory. They will also act as an advisory board to help in the selection of state-of-the-art proposal tools for the U.S.. Minimum 2 years experience in graphic arts, database and proposal design. Regional travel requirements, 20%.



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Job Descriptions and Skill Set Requirements

Regional Communications Support Centers (cont'd)

Public Relations Manager

The Public Relations Manager will develop contacts with local press, TV, radio and other community relations publicists. He/she will be responsible for integrating the regional public relations plan with the intent to establish a respected position for Digital in the business community. This person will work with the Territory PR Manager to ensure consistency of image. 5+ years experience in Public Relations and knowledge of the local media. 50-75% travel within the region.

Regional Marketing Associate

The RMA is responsible for responding to all 1-800 inquiries from customers in their region. The person is responsible for sending information to customers or referring them to the correct sales or service person. The person must be product and services trained and have access to databases, FAX or other communications tools necessary to do their job. He/she is typically a college graduate with 2 years business experience or a recent graduate of the Digital MDP program. The growth path from this position is into Sales. This is an inside-Digital customer service position with heavy telephone coverage. The hours are very specific, 8:30 - 5:00.

Administrative Secretary

This person must have excellent telephone skills and be very sales-oriented. He/she will be responsible for representing Digital, particularly with the local media personnel.



Wolke

- non support for her needs
- paranoid
- narrow skills

Authors:Nora Mcguinness @OGO
Sandy Carpentier @MLO
Date: 20-May-1993
Posted-date: 20-May-1993
Subject: US Communications Organization

Russ,

Charlie Holleran has developed a worldwide communications plan with the clear intent to bring Communications in Digital to a best-in-class status. Communications work has been defined. And, organizations to accomplish the work are now being put in place.

The US Organization staffing has been sized at 60 people and a headcount budget of 7 Million. We are asking that you place this information in your budget. However, the money to pay for the group will come out of Charlie's worldwide communications budget and will not be charged to your SG&A.

Questions and Answers.

Question: What communications resources does the US have today?

Answer: This is not a straight forward issue. You have Sales Communications under Nora McGuinness for Sales Update, Digital Today etc. She handles your DVNs, etc, and is generally your voice to the field. And, she is a shared resource with Corporate(no benefit to you).

You pay for DMO and their Direct Marketing organization. This is also a shared resource in the sense that corporate groups use them to develop Direct Marketing Programs.

You have been paying for DECUS, and many other communications activities scattered throughout U.S. headquarters, (very little in the field). We had general agreement at the US communications Task Force that at least 150 people were engaged in communications work.

The work has been disconnected and generally unmeasurable. In fact, we have not been able to identify the FY93 spend numbers because there is no one person or group accountable.

Question: What will be different in Charlie's new plan?

Answer: There will be a new organization for the US aligned with Corporate and the Business Units. The communications staff will be accountable for the US Communications strategy and the quality of the implementation and results. They will be connected with and participate in Business Unit and Corporate Communication planning. This professional team will be dedicated to US Sales goals and you can expect them to meet their commitments.

Questions: What are they going to do for me that I don't have now?

Answer: In order to answer this question, let's go over the

Marketing

Price

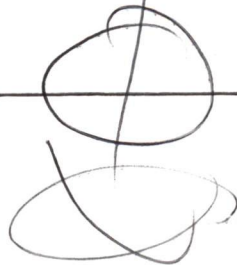
Prod
needs

Dist
+
Position

Communication

channels

Product



organizational plan.

HEADQUARTERS - 20 people

REGIONS - 35 people

HOTLINE - 5 people

Headquarters

General Manager - Think of this person as the Charlie Holleran for the US. He/she understands all communications disciplines and with the US Business Plan as the first line of reference, works with the Corporate Communications organization and the new US Communications team to develop the overall communications plan for the US. This includes advertising, public relations, executive management support (speech writing, speaking schedules, press and analyst interviews etc.,) sales communications, campaign execution, and program communication strategy and implementations. This will be a highly coordinated and streamlines plan with maximum results. Why? Because this plan will be developed and executed by professional communications personnel who will ensure that messages and delivery are consistent worldwide. Sales will feel the impact because customers and prospects will have a clear image of Digital and how we can help them in their business. This is not the case today.

Each member of the Headquarters staff - Advertising, Public Relations, Executive Support, Sales Communications, Product Management, Professional Services, Channels, and the 9 Business Unit Communications Managers will each have the responsibility to develop the US plan for their space and them as a team coordinate the plan so that it works in the best interest of the US Sales Team, i.e. assists in developing pull to help close business.

REGIONS

The 5 Regional Support Centers are implementation arms for the US plan. The Regional Managers are Communications generalists but with heavy experience in carrying out tactical plans. All regional comm employees work as a virtual team in that they may be temporarily deployed to another region to assist with a major event. We believe that 2 events managers per region, a direct marketing expert, a sales proposal resource, a public relations person and a secretary are the right mix. However, this may vary slightly by region.

HOTLINE

There has been a request by your people to include an 800 hotline in each region staffed by 2 people. We believe this function is best centralized and can be done with 5 people rather than 10.

Question: Who's going to pay for this?

Answer: As I stated above, Charlie has an approved worldwide communications budget for 221 million. He has agreed to invest 7 million in the US in the form of personnel funding. Program

Ron Bunker -

Janet Shipman -

Cecil Dye -

dollars for execution will come primarily from the Business Units. The Territory agrees to sell X amount of product, BU Marketing develops the marketing strategy and the Communications groups set the strategy and implementation to develop the pull and the branding.

Question: Will I be able to approve the candidate for GM ?

Answer: Absolutely. My plan is to name a person (hopefully this week) to manage communications in the three geographies and then name the territory/geography managers shortly thereafter. We expect to get to you next week to explain the organization, what qualifications we think we need in these very important jobs and close on a candidate.

Question: How can I be assured that the staffing plan is correctly sized?

Answer: We have estimated the work and consequently the organization. The staffing plan is based on our experience as professionals. We are prepared to adjust it. When the Business Units and Product Marketing have completed their business plans, we will be able to have a greater degree of accuracy. We acknowledge that we may have underestimated the the demand generation work from the Business Units.

Question: Do I need to budget for anything?

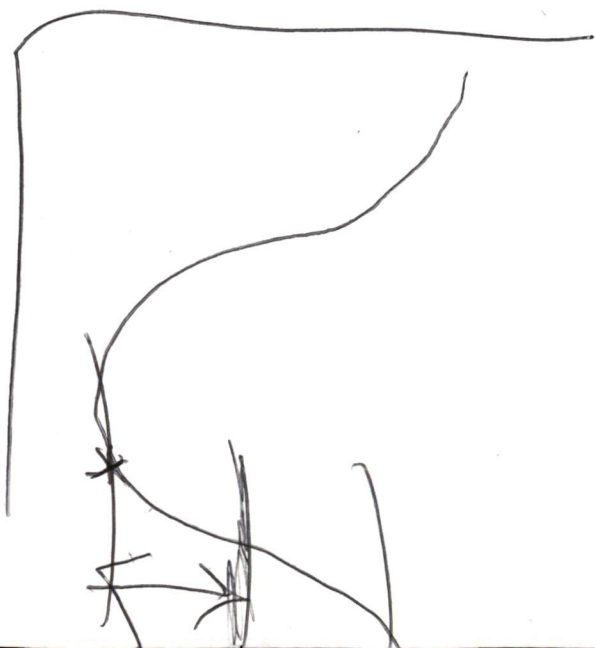
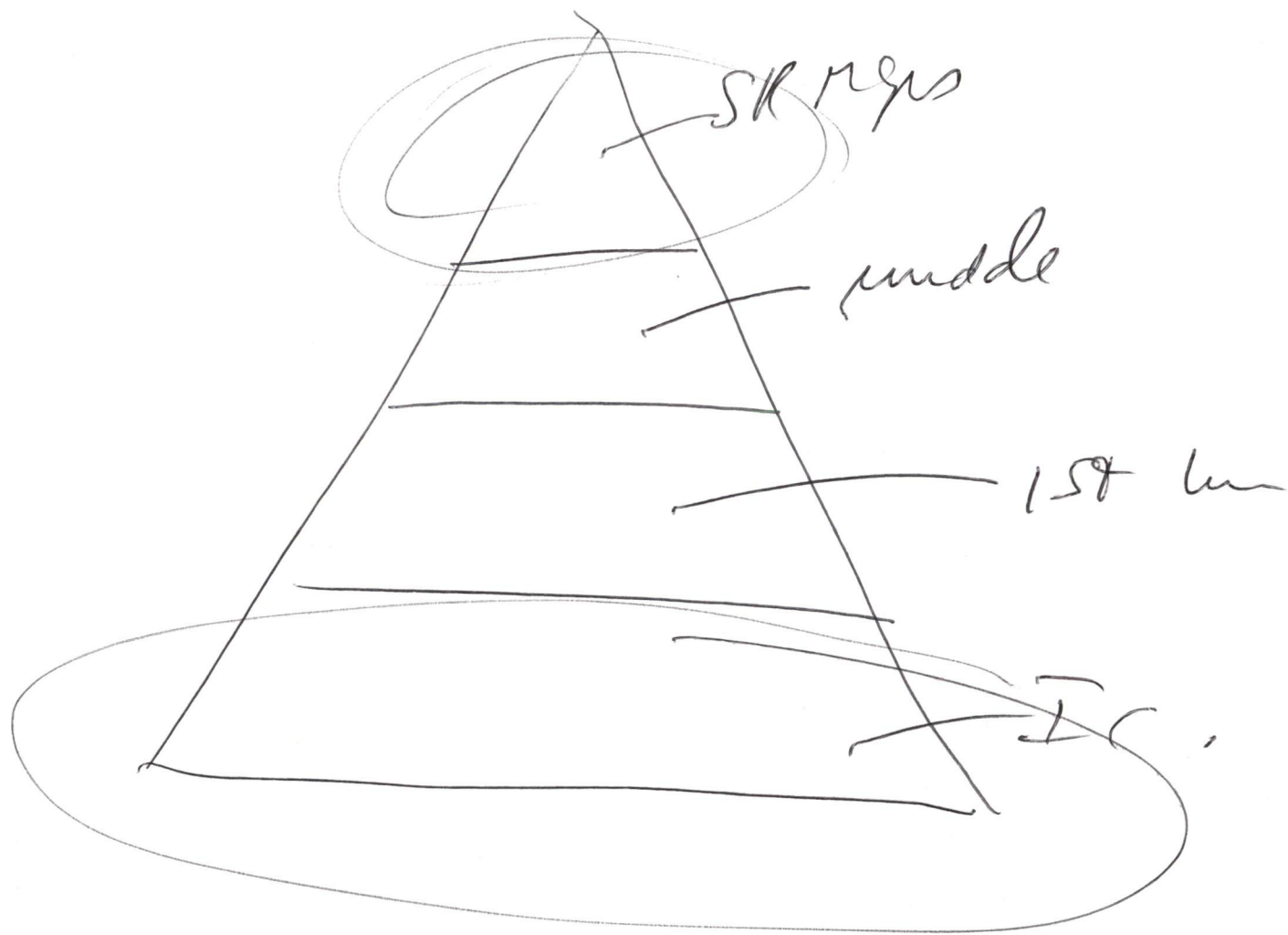
Answer: Yes. You will have localization costs for sales communication. You may want to fund community support. You'll need to make sure you have printers for printing info sheets in local offices and you will need some color printing capability. A budget has been developed for Rose Ann that was due to her today, May 20th.

Question: When will this staffing plan be implemented?

Answer: As soon as the Communications Personnel Manager can get approval for the process. This approval may be here as early as tomorrow.

Question: Do you have job descriptions for each position?

Answer: Yes. They are in a postscript file that has been sent under a separate memo.



Sales Campaign Management Tool (SCMT)

"An effective process/guide which positions you to win against all competition."

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SALES CAMPAIGN MANAGEMENT TOOL

(SCMT)

INTRODUCTION

The SCMT is a process guide to increase your effective win ratio in closing project/program business. When used as a Sales Campaign Guide you will improve your success and be recognized as an effective account/program manager who has a success pattern and knows how to move ahead of the competition.

It provides you with a planned work format to:

UNDERSTAND YOUR CUSTOMER'S BUSINESS

Guides you to an understanding of your customer's business issues, objectives, and impact. You will understand them better than any of your competition and your customers will appreciate your knowledge of their business.

IMPROVE YOUR TEAM COMMUNICATION

SCMT is an effective communication vehicle to bring your team up to speed, bring new team members/resources up to speed, and clearly indicates who the team contributors are, what they have committed to deliver, and when their task will be completed. It is also an effective document for reviewing your plans with your customers.

BUILD A STRONG TEAM OF CONTRIBUTORS

It is a team building document. When you review the document with your team, all team members know what they are responsible for and when they are expected to deliver in their area of responsibility. Non-performing team members are identified and helped if possible or replaced by a more capable individual.

ESTABLISH CONTROL AND GARNER RESOURCES

For program review and/or resource requests it builds confidence in the reviewers mind that you are in control, understand the issues, objective, impact, and details the significant work you have completed and what still needs to be done to achieve success. Management is more prone to approve resource requests from those who are in control and effectively communicate current project/program status.

IMPROVE TEAM TIME MANAGEMENT

It is a time saver - since it is a standard format - all users and team members know who is doing what and when. They know exactly where to look for specific information on the program status and the programs progress to date.

IMPROVED PRODUCTIVITY

The Sales Campaign Activity is documented and all team members, both new and existing, know what has been accomplished to date, what still has to be done, and current status of items in process and who is responsible for the item. Information of this type saves all the team members time.

When transitioning from the order acquisition phase to solution delivery phase the SCMT is used to bring the delivery team up to date on requirements, commitments, and history of the program. It bridges the gap between past and future activity.

SCMT is a record of where you've been and where you intend to go.

Use SCMT for all project/program sales - it will increase your effectiveness and accelerate your success. It is a process/guide that is a proven, superior work guide which positions you to win against all competition.

HOW TO USE SCMT

1. INDIVIDUAL ACTIONS

On new or existing project/program sales opportunities individual fills out form - fill in each segment using all the information available at that time. (Refer to SCMT Elements Examples on pages E1 through E3.)

2. GROUP REVIEW

Review the SCMT with a group of the "Associated Contacts" (Resource Team)

- Agree on Issue, Objective, Impact (both Digital's and the Customer's)
- Add/Delete Associated Contacts
- Discuss Interdependencies and Impact on Success
- Add Deliverables & Milestones
- Agree on Responsibilities for Deliverables & Milestones
- Establish completion dates for each Deliverable & Milestone.

3. SCHEDULE MEETINGS

To review progress against Milestones/Deliverables, meeting agendas can be set by completion dates (close in dates are first on the agenda). Add new deliverables/milestones identified by the group. Help team members who are not meeting commitments and/or replace those team member with someone who can deliver on the commitment.

4. PRESENTATION

For internal or customer presentations, use SCMT format - Issue, Objective, Impact, Deliverables/Milestones.

5. SUPPORT TO YOU

Have your direct reports use the tool and process.

Using the Sales Campaign Management Tool and applying the "How to Use" steps will produce higher quality work and improve the productivity of both the producers and recipients.

This process accelerates closing time and improves your win rate - It is a great communication tool and gives you command of the sales situation.

HOW TO MANAGE AND DOCUMENT A CAMPAIGN

- Campaign Name:** Name each campaign - use the name that is familiar to the customer.
- Campaign Manager:** List the names of the responsible manager and the campaign mentor.
- Campaign Description:** Address Issues, Objectives, and Impact.
- Issue: Describe the basic issue that has motivated you/others to work on this issue.
(Refer to SCMT Elements Examples on page E1.)
- Objective: What do you want to achieve.
What is Digital's Objective
What is Customer's Objective
(Refer to SCMT Elements Examples on page E1.)
- Impact: What is the expected result and how will it be measured.
Customer
Digital
(Refer to SCMT Elements Examples on page E2.)
- Associated Contacts:** List out the names of people who have an assigned deliverable and/or are significant contributors. (Refer to SCMT Elements Examples on page E2.)
- Documentation:** Include letters, memos, phone calls, committee decisions, etc. Both Digital and Customer documents. (Refer to SCMT Elements Examples on page E2.)
- Dependencies:** List out all functions who have a role to perform for successful completion.
(Refer to SCMT Elements Examples on page E3.)
- Milestones/Deliverables:** List all critical milestones and deliverables add milestones and deliverables as work progresses and new items are identified by the manager and/or work group. (Refer to SCMT Elements Examples on page E3.)
- Responsibility: Name a responsible individual for each milestone/deliverable.
- Due Date: List the dates for completion as dictated by required work effort and the ultimate completion date.
- Status: Use status codes to indicate progress.

SALES CAMPAIGN WORKSHEET

CAMPAIGN NAME:

CAMPAIGN MANAGER:

MANAGER'S GROUP NAME:

CAMPAIGN DESCRIPTION:

State the **ISSUE:**

State the **OBJECTIVE:**

State the **IMPACT:**

<u>ASSOCIATED CONTACTS</u>	<u>FACILITY</u>	<u>DTN</u>

DOCUMENTATION:

DEPENDENCIES:

SALES CAMPAIGN MANAGEMENT TOOL (SCMT)

SCMT ELEMENTS EXAMPLES

- Issue:**
- o Sales/Marketing Sales promotion coordination
 - o Improve productivity
 - o QA & QC process improvements
 - o Low efficiency production
 - o High manufacturing costs
 - o Reduce production costs
 - o Manufacturing systems need to be integrated
 - o CIM integration of multiple manufacturing plants
 - o Customer needs to establish standards
 - o Competitive actions/pressures
 - o Improve time to market
 - o Reduce the data reporting time and reaction time to competitive business decisions
 - o System migration from competitive equipment to Digital systems
 - o Long turn around times
 - o High overhead costs
 - o Others to be added

Objective: Digital:

- o Develop business relationship into a partnership
- o System migration
- o System integration
- o Name Digital as the strategic database vendor
- o Preferred network supplier
- o Selected as preferred supplier
- o Preferred manufacturing systems supplier
- o Increase services revenue
- o Sell new systems and services
- o Competitive replacements
- o Motivate customer to decide the standard
- o Establish networking standard/architecture
- o Support attainment of customer goals
- o Define business Problems
- o Others to be added

Customer:

- o Migration from obsolete/discontinued products to new systems
- o Determination of product life and efficacy
- o Achieve paperless batch records
- o Timely sales performance reporting
- o Reduce time to market
- o Improve process and processes
- o Reduce overhead (people, facilities, costs)
- o Become competitive
- o Increase market share positioning and penetration
- o Timely data reporting
- o Accommodate growth
- o Reduce cost/expenses
- o Department/equipment consolidation
- o Others to be added

Impact:Digital:

- o Continued customer satisfaction/delight
- o Orders for Certs and Revenue plus annuity business
- o Preferred vendor status
- o Recognition as network, mfg, sales & mktg vendor of choice
- o System integrator of choice
- o Supplier of choice
- o Others to be added

Customer:

- o Timely access to information in manufacturing, sales & marketing, R&D, etc.
- o Targeted marketing promotions
- o Increased productivity
- o Improve competitive position
- o Compliance with regulatory agencies
- o Reduce cycle time
- o Reduce Cost
- o Gain market share
- o Grow business
- o Others to be added

Associated Contacts:

- o Consultants (Management, Network, Training, Database, Software, Mfg, etc.)
- o Account Operations
- o Engineering Support
- o EIS
- o OA
- o Third party software/system integrators
- o Cross functional managers
- o Sales (Management, Rep, Managers, CAM/NAM, SUM)
- o Opportunity Manager
- o Customer Services & Support Services (Reps, Managers)
- o ACT support people
- o Marketing support
- o Others to be added

Documentation:

- o Customer letters and Digital responses
- o RFI, RFP, RFQ
- o Unsolicited proposal/proposal
- o Account plan
- o POR review
- o Letter offering Digital services
- o Services report
- o Consultant proposal
- o Assessment/findings report
- o Proposal for programs
- o Documented phone requests
- o Sales call reports
- o Others to be added

Dependencies:

- o 3rd party tech resources
- o 3rd party relationships/performance
- o EIS 3rd party
- o Product releases
- o Technical assistance/resources
- o Marketing
- o Sales
- o DCC resources/specific
- o Local sales support
- o Sales/sales support in remote locations
- o Ops
- o Finance
- o EIS
- o ACT resources
- o Task force support
- o Product development support
- o Conversion resources
- o Disaster recovery services
- o Competitive products
- o Competitive services
- o Self maintenance option
- o Others to be added.

Milestones and Deliverables:

- o Meeting - Management, Account Team, 3rd Party, Status, Kick-off, Strategy, Opportunity review, Executive meeting briefing, investment & bid review, pricing & solution review, financial proposal review, 3rd party vendor selection, etc.
- o Responses - Sales, Marketing, Engineering, Customer Service, EIS, Customer, etc.
- o Specifications - Application/Solution, Functional, Operational, etc.
- o Proposal - Strategy, preparation, team, letters, documents, review, application/solution, presentation, submission, unsolicited, system design, rental vs. buy analysis, reference sites, customer sign-off, equipment transition, implementation, reference customer installations.
- o Presentations - Digital, Customer
- o Demos - Digital or 3rd party, ACT, Customer site,
- o Visits - Corporate, Executive, 3rd party, Customer.
- o Consultants - Study, agreement, plan specification, management.
- o Hardware - Pilot, development, test, operational, host system.
- o Approvals - Digital and Customer
- o Communications Plan - Prompts communication with Digital participants and customer
- o Calendar - Drives events and supports realistic time estimate (Executive call plan, who calls on who, proposal action dates, meeting dates).
- o Financials - P&L analysis of the campaign opportunity and return (ROI)
- o Personnel - Can you obtain the necessary skill sets? (Program Manager, Opportunity Manager, Account team, Study group)
- o Resources (X-Functional Commitments) - (Marketing, Engineering, Manufacturing, Customer Services, EIS, Consultants, etc.) Where will they be obtained?
- o Training - Customer or Digital
- o Integration - Cross-Functional - Bring in all supporting functions
- o Measurement - Progress against the campaign plan
- o Remote Field Actions - Plans - Implementation
- o Review Process - When higher level involvement is necessary
- o System Support - Can we deliver what we sell
- o Business Agreement - Have we addressed the issues so both Digital and the customer WINS.
- o Product Agreements - International impact
- o Service Agreements - National and International
- o Cross-Functional Impact - Are they supportive
- o Orders - Consultant services, Hardware, Software Services, Customer Services, etc., receive P.O.
- o Others To Be Added

PETROCHEMICAL FY92 KICKOFF MEETING

CIM PROGRAM SALES CAMPAIGN
Electronic Batch Record (EBR) Project

FOR

MCNEIL CONSUMER PRODUCTS, INC.

JOHANNA MICKEL, ACCOUNT MANAGER
JOAN LAUBMEIER, PROGRAM MANAGER

AUGUST 8, 1991

SALES CAMPAIGN DESCRIPTION

ISSUE: Industry trend to Electronic Batch Records (EBR), then Computer Integrated Enterprise (CIE)
Winner of EBR has inside track for CIE.

DIGITAL OBJECTIVE: Establish presence in Manufacturing Operations
Expand presence to CIM, ultimately CIE
Become Valued Solution Partner

McNEIL OBJECTIVE: Use technology to support business enhancements
CIM: Right Data, Right Place, Right Time, Right Format

DIGITAL IMPACT: Establish firm presence in McNeil
Stop IBM POMS at McNeil
CIM business over next 5 to 10 years
Leverage other Sector and J&J Opportunities

McNEIL IMPACT: Progress towards
. 24 Hour Conversion
. Low Cost Producer
. Elimination of Non-conformance
. High-Performance Teams
. Time-to-Market

CAMPAIGN STATUS: On Schedule

CONTACTS

Johanna Mickel, Account Manager
Joan Laubmeier, Program Manager
Mary Pearson, Account Group Manager for J & J
Dave Geehan, Sales Support
Rick Zecca, Account Set Manager
Herb Cline, Account Group Manager
Al Hall, Vice President Sales Southern States
Bob Stuono, EIS District Manager
Lynn Busing, Vice President EIS Southern States
John Connor, District Finance Manager
Judy Shaffer, District Administration Manager
Walt Rush, District Customer Services Manager
Jerry Gill, Process DCC Customer Program Office Manager
Frank SADBERRY, Process DCC System Integration Manager
Al Pink, Vice President Process DCC
Sheila Fields, Manufacturing Consultant
Thomas Quinn, Manufacturing Consultant
Jean Hurd, Business Consultant / Human Systems Project
Manager
Lou Gaviglia, Vice President US Operations
Joe Boland, Manufacturing Account Group Manager
Tom Cusick, J&J Operations Manager
Bob Gabriel, EBR Pilot Project Manager
Jim Stanton, Process DCC SI MTT Manager
Bruce Ayer, Quality Assurance Team
Ron Benfield, Customer Training
Kieran Bustamente, Contracts Manager
Larry Cole, Order Administration
Claire Cox, District Cross Functional Finance Analyst
Teresa Dowling, Quality Assurance Team
Gene Frantz, Third Party Business Manager
Wayne Gaskill, Computer Special Systems
Linda Hellings, Network Services
Pam Nulty, Customer Services
Nona Robinson, Human Resources
Rick Robuccio, Customer Training
Marilyn Singh, Credit Analyst
Connie Sundberg, Customer Services Delivery Manager
Mark Tambling, Process DCC Financial Analyst
Christine Weaver, Third Party Purchasing
John Witherspoon, Network Consulting

Project Delivery Teams (EBR, SPC, CP underway)

Tom Walsh and Mike McLean, Palette
Michele Russo and Garrett Shea, Square D/Crisp Automation
Mike Minisalle, Intermecc

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DOCUMENTS

McNeil Account Plan
J & J Account Plan
J & J - Digital Business Agreement
CIM Opportunity Plan
CIM Program Plan and Business Plan
POR Slides and Reports

EBR Proposal
Budgetary Estimates Proposal for Roll Out
Letter of Intent
Letter of Intent - Reconfirmation
EBR Pilot Requirements Document
Visionary Leadership Planning Contract
EBR Pilot Team Mission, Objectives, Responsibilities, and
Ground Rules
EBR Pilot Design Phase Contract

EBR Pilot Functional Specification
EBR Pilot System Design Specification
EBR Pilot Acceptance Test Specification

EBR Pilot Human Systems Contract
EBR Pilot Implementation Phase Contract
EBR Pilot Train the Trainer Contract

DEPENDENCIES

Sales and Sales Support

Pennsylvania District
Texas (Round Rock)
Puerto Rico (Las Piedras)

EIS

Pennsylvania District PSS

Process DCC ACT
Process DCC Systems Integration

Customer Training

Customer Services

All McNeil Locations
Network Services
Contract Services

Third Parties

Palette
Square D / Crisp Automation
Intermec
Zebra Bar Code Printers
Diamond II Trackballs

Finance
Administration
Manufacturing
Operations
Legal
Marketing
Human Resources
Organizational Consulting
Engineering

Digital Products

EDCS II
Industrialized Workstations

MILESTONES / DELIVERABLES

EVENT	PERSON	DATE	STATUS
Information Gathering Qualifying	Mickel	Spring/Fall '89	C
ACT Visit for IS Presentation/Demonstration (PMIS, Promis, Palette)	Mickel	Fall '89	C
Additional Info Gathering	Mickel	Winter '90	C
ACT Visit for IS and Operations; Presentation and Demonstration of Palette	Mickel	March '90	C
Meet with Executive Sponsor from McNeil	Mickel	April '90	C
Set up Meeting between McNeil and DEC VPs of Operations	Mickel	April '90	T
Presentation to V.P. of Operations at ACT	Mickel	April '90	C
Visit to DEC Greenville Plant and DuPont Brevard NC Plant	Mickel	April '90	C
Competitive Analysis of Computing Environment	Geehan	April '90	C
Preliminary Proposal Development	Mickel	April/May '90	C
Present Proposal to Operations Management	Mickel	May '90	C
Revised Proposal Estimates for Roll Out	Mickel	June '90	C
Letter of Intent	McNeil	June '90	C
Business Planning Overview	Mickel	June '90	C
Assign Program Manager	EIS	July '90	C
Attend DECworld; begin IEM efforts	Mickel	July '90	C
Change of Executive	McNeil	August '90	C

Sponsor at McNeil

Begin Work on A/R	McNeil	August '90	C
Visit to RJR T'ville by McNeil Senior Management	Mickel	October '90	C
Submit A/R to Sector President and Chairman	McNeil	November '90	C
Digital Program Management Change	EIS/DCC	November '90	C
Provide McNeil with Information on Potential Challenge by IBM	Mickel	November '90	C
Develop and execute sales campaign to counter IBM assault	Mickel	November and December '90	C
Begin Requirements Spec.	Laubmeier	December '90	C
Sector Approval of A/R	McNeil	January '91	C
Visionary Leadership	Laubmeier	February '91	C
Complete Requirements Spec	Laubmeier	March '91	C
EBR Pilot P&L, Bid Approval	Laubmeier	March '91	C
Design Phase Contract	Laubmeier	March '91	C
Design Phase Orders	Mickel	March '91	C
Begin EBR Pilot Design	EBR Team	March '91	C
Human Systems Contract	Laubmeier	March '91	C
McNeil CIM Program Manager Depart	McNeil	April '91	C
EBR Pilot Design complete	EBR Team	June '91	C
EBR Pilot revised P&L and Bid Approval	Laubmeier	June '91	C
EBR Pilot Implementation Contracts	Laubmeier	June '91	C
EBR Pilot Implementation Orders	Mickel	June '91	C
New McNeil CIM Program	McNeil	July '91	C

Manager begins

EBR Pilot Design Phase Celebration	McNeil	July '91	C
Work with McNeil on Capital Forecast and Planning	Laubmeier	July '91	O
Begin EBR Pilot Implementation Phase	EBR Team	July '91	O
J&J Worldwide Account Team Meeting with J&J Executives	Pearson	September '91	N
Investment Evaluation Meeting and Proposal	Mickel	September '91	N
Executive Briefing for new McNeil Program Manager	Mickel	October '91	N
Corporate Visit for new McNeil Program Manager	Mickel	October '91	N
Validation Planning	Fields	December '91	O
Revise McNeil CIM Program Plan	Laubmeier McNeil	December '91	O
Consumer Sector Vision	Laubmeier Dauphinais Hathaway	December '91	N
POR Status Reviews	Laubmeier	Monthly	O
EBR Pilot Project Team meetings with McNeil	Gabriel	Weekly	O
J&J Consumer Sector Team internal meetings	Pearson	Monthly	O
Steering Committee Meetings	McNeil	Bi-Monthly	O
Quality Assurance Reviews	Laubmeier	At milestones	O
IMPACT Program	Mickel	Ongoing	O
Discovery Seminars	Mickel	Ongoing	O

WHY DIGITAL WON !

"You understood the customer"

Attitude: We can and will do it !

Developed close relationship with IS and Operations

Met McNeil's time and budget

Coordinated activities at McNeil with Johnson & Johnson closely

Teamwork

- . Cross-functional Team
- . Responsive Management
- . Leveraged broad spectrum of resources, as well as third parties
- . McNeil Team Members
- . Shared Digital's Internal Experiences

Management Intelligence on Competition and share appropriately with McNeil management

Did not "end run" McNeil or Johnson & Johnson organization

Proposed Integrated Solution

- . Hardware and Systems Software
- . Application Packages
- . Integration Services
- . Management Consulting
- . Industry Consulting
- . Training
- . Networks
- . Human Systems
- . Specialized equipment (bar code devices, etc.)
- . Support Services

DIGITAL HAS IT NOW !

KEY LEARNINGS

Strong Program Management is Vital

Everyone on Team must understand that they are selling

Determine early, with customer, including their contracts organization, the contract negotiation and approval process

Follow Program Methodology

Develop Requirements Specification early to control scope

Resource mobilization must be quick

ACCOUNT BUSINESS DEVELOPMENT ACTIVITY

ACCOUNT _____

DATE _____

- o DMO

- o Seminars

- o Strategic Planning
Support

- o Top-Mapping

- o Technical Reviews PID's

- o Application Study

- o White Paper

- o Unsolicited Proposals

- o Technical Support

- o Executive Visits

- o Product Presentations

- o Customer Training

- o Missionary Work

- o Account Communications
Plan

ACCOUNT BUSINESS DEVELOPMENT ACTIVITY

ACCOUNT _____

DATE _____

- o DMO - Use DMO resources for Capacity Planning.
- o Seminars - Describe the types of seminars you conducted and what was the objective?
- o Strategic Planning Support - What planning support have you offered to the customer? What have they participated in?
- o Top-Mapping - Have you proposed top-mapping? Has the customer participated? Why?
- o Technical Reviews PID's - Has the customer attended technical reviews/PID's? Who has attended?
- o Application Study - Have you proposed application studies? Has the customer paid for application studies?
- o White Paper - Are you connected/accepted to the degree that the customer would ask you to participate in "White Paper" development? White Papers stimulate internal proposals.
- o Unsolicited Proposals - How many and what applications?
- o Technical Support - What kind of technical support do you arrange for the customer? Owe you one!
- o Executive Visits - What Digital executives have been in the account? What customer executives have visited Digital?
- o Product Presentations - What product presentations have been made in the past three months? What product presentations are planned for the next three months?
- o Customer Training - What training have customers participated in? What training is planned?
- o Missionary Work - What missionary work/activity is in progress or planned?
- o Account Communications Plan - Do you have an account communication plan? What is it? How does it work? What are the objectives?

Printed by Joe Zercoe @MRO

I N T E R O F F I C E M E M O R A N D U M

Doc. No: 010093
Date: 12-Apr-1993 12:26pm EDT
From: Joe Zercoe @MRO
ZERCOE.JOE
Dept: Pharmaceutical Accounts
Tel No: DTN: 297-9085

TO: Remote Addressee (RUSS GULLOTTI @MKO)

CC: Remote Addressee (JOHN REGAN @MRO)

Subject: HEALTH INDUSTRIES U.S. TERRITORY VP TEMPLATE

A few comments on the the template and the thoughts behind the boxes and work lists. This is a short summary of key points - we have much work to do for successful implementation.

The Health Industries template for U.S. Territory is attached to this memo. Also attached is a U.S. map which indicates the concentration of business and therefore effort concentration. We have a heavier concentration in the East especially the Northeast and decreasing concentration from Central to Southeast to the the Western U.S. Our Branch offices are located near major metropolitan areas and/or significant business concentrations such as Indianapolis. We will have 10-15% of our specialists working out of Regional Market Centers, especially in the remote Northwest, Rocky Mountain States and Great Plains area.

District Managers/Branch Managers

Our plan is based on current staffing, resizing in Q4 and upside business growth over the next 2-3 years. This leads us to configuring 4 U.S. Districts: Northeast, Southeast, Central, and Western or 1 Pharm NE, 1 Health Ind. Western, 1-2 Healthcare. This level of management is critical for successful transition from geography to CBU orientation; people growth/development and business growth and profitability of the group. Selection, training, and leadership of District Managers and Branch Managers are critical elements to achieving growth and profitability goals.

Industry Solutions and Support V.P.

Max Mayer is proposing a Level II V.P. to lead our efforts to increase both our level of SI business and its profitability. I support the concept and support the idea of recruiting new leadership for this position. We also need to recruit talent that can focus us on trends that are dictated by Federal mandates and regulatory agencies. This additional talent can position us to be in a leadership position as new Healthcare strategies for the U.S. unfold. We are planning to use "Value Added

Selling Teams" which may or may not be managed in this group. The dynamics of complex SI sales, both short-term and long-term, require "dynamic teams" which apply unique skills at appropriate times in the sales cycle. We need more discussion before we finalize team composition, team operations, and management direction. We will use the best combination of resources to delight customers and surpass our competition.

Strategic Accounts

Global Accounts (Pharmaceutical) operate across all our boundaries and need coordination on worldwide projects/programs that are developed in more than one area simultaneously. Cross pollination between accounts of both development and deployment is one area that gives us a leadership position within the community of Pharmaceutical accounts. Strategic Accounts such as VA Hospital, Human & Health Services, NIH Health Insurance and the Emerging Regional consortium of Hospitals and HMOs will also benefit from a strategy to cross pollinate and develop a leadership position in selected focused applications and services.

Operations Management

This can be one of the most exciting and rewarding segments of our business operations. In addition to the standard business operations, day to day activity, reporting requirements, planning, etc. we will implement:

- A "War Room" with a goal to WIN a major order every business day - not just at the end of a measurement period. Geared to support Sales Rep efforts and Sales Management effort to increase our productivity.
- Field Training and Development to do the "On The Job" training programs with effective and practical "How To Do It" techniques integrated into our overall training events.

Health Industries Managers and Sales Reps will be committed to continually improving our productivity. They will achieve a leadership position through training, coaching, and management reinforcement, and will support activity focused on improving their efficiency, effectiveness, and therefore productivity.

Marketing/Business Development

We still need to sort out the details of what is done by Market Segment Managers and U.S. Territory Marketing. Industry events and trade shows in the past have been budgeted in Industry Marketing for the U.S. (less so in GIA and Europe). Our close proximity to WW Market Segment Managers creates different views for the U.S.

In current submissions we have planned for field introduction of focused programs, retraining for SI selling. Communication - customer testimonials, catalysts for developing focused programs, etc. These are all U.S. Territory business development.

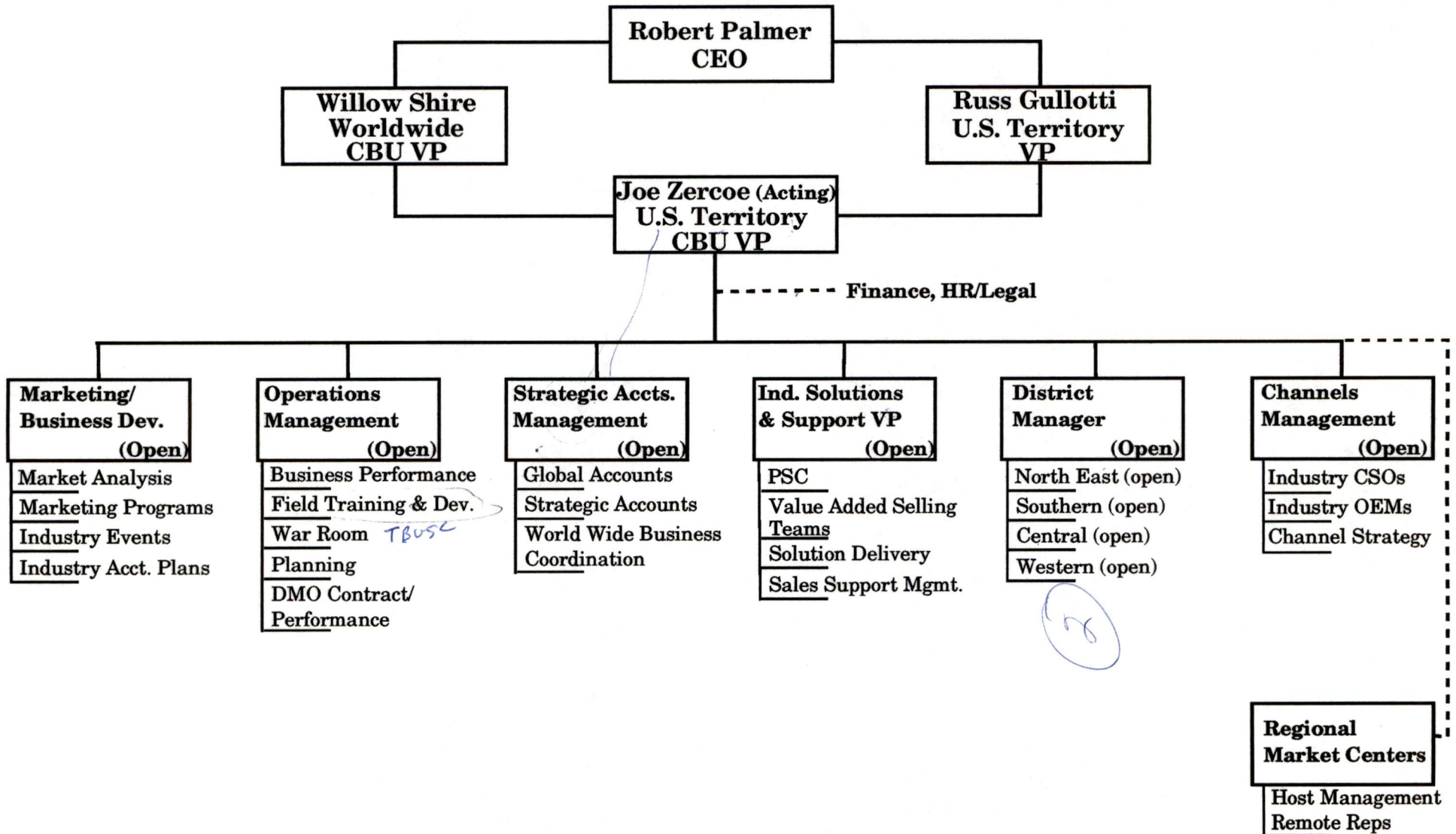
Channels Management

Not limited to management of VARs, CSOs, and OEMs the Channels Manager will be responsible for an integrated Channels Strategy which uses the best combination of our Channels Partners and our Direct Channels to sell products/services and implement solutions that delight our end user customers. The key here is a best use of Channels to achieve best return for the end customer and Digital.

Our goal overall is to achieve the highest level of productivity, growth, profits, and delight our customers in our business relationships.

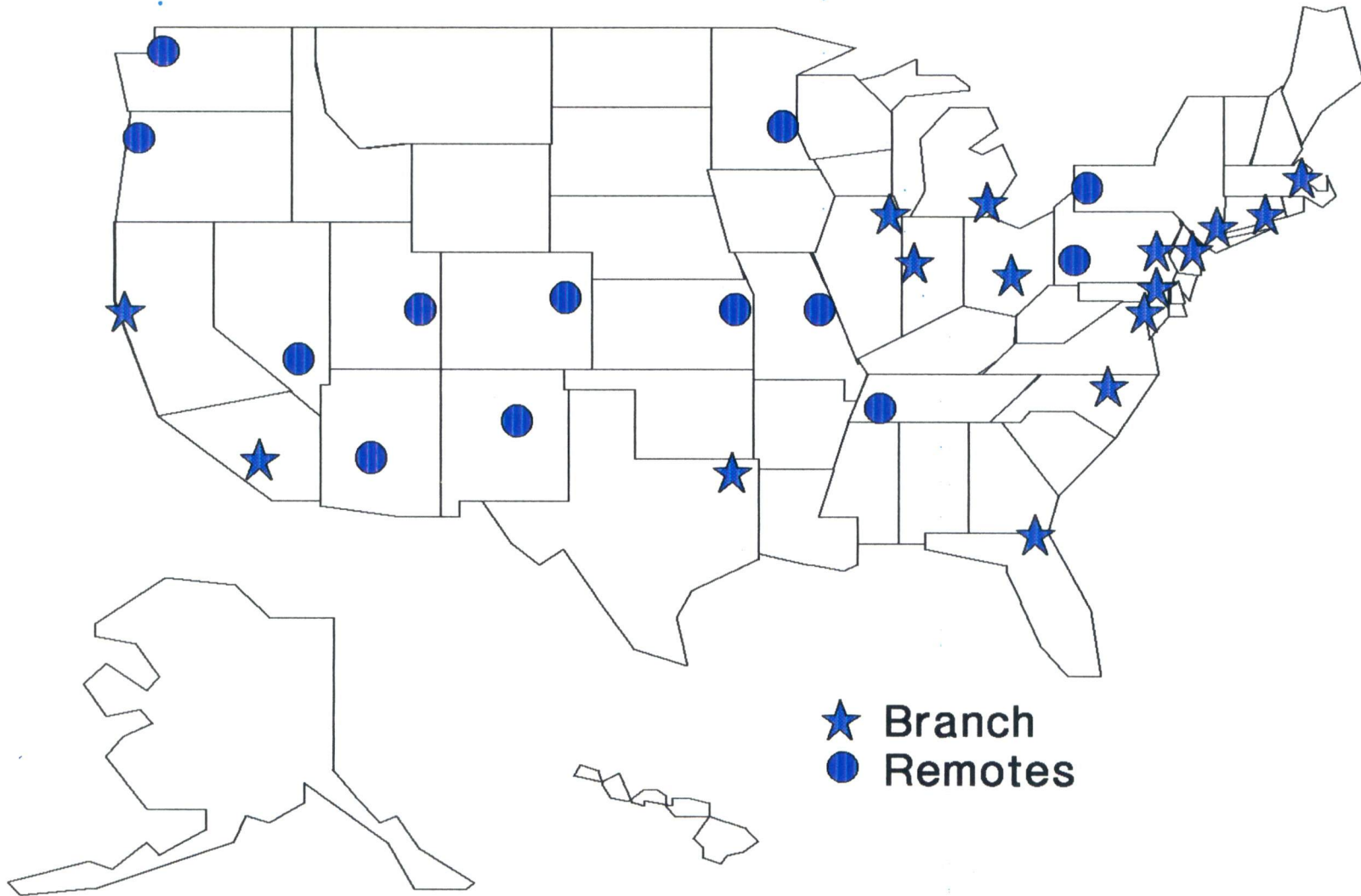
HEALTH INDUSTRIES

U.S. Territory



U.S. HEALTH INDUSTRIES

Branch and Remote Rep. Locations



over for resend ✓

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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 066400
Date: 21-Dec-1993 10:55am EST
From: KAREN DAVIS @MKO
DAVIS.KAREN AT A1 at MKOTS1
Dept: CORPORATE PRICING OFFICE
Tel No: 264-7485

at MKO

TO: See Below

Subject: CHANNELS MANAGEMENT POLICY
Subject:

****THIS MEMO IS FROM TERRY FINK AND MIKE MANCUSO****

Attached to this memo is a revised draft of the Channels Management Policy. The initial draft of this document was reviewed by territory and channels managers worldwide during November.

Based on input received, revised policy statements were reviewed and approved by the Business Partner Board of Directors. These policy statements are now final and the territories will be expected to manage to these policies.

The Business Partner relationships described in the policy document represent the "approved" relationships to date. It is expected that the terminology for these relationships will be used worldwide to eliminate confusion. There is more work to be done to understand and define the variations within these relationships, but it is expected over time that any clean up required to move individual partners into the appropriate relationship category will be managed by the territories.

The discount architecture has been approved as the Plan of Record. This architecture is not static, and will continue to evolve through a process of formal proposals and approval. Territories are expected to identify where they aren't in compliance with the current Plan of Record and either put a realistic plan in place to comply or submit an exception request for review and approval. A process and format for review of exceptions will be provided in January.

Several issues were raised, in addition to the ones included for input in the original draft. Many of these issues require further work, and drivers will be identified to bring proposals back to the Business Partner Board of Directors. (Section 4.0 in the document lists the open issues).

Other issues that arise should be forwarded to: Karen Davis @MKO.

The response for feedback to the initial draft of the channels policy document back in November was overwhelming. Thanks to all who provided very thoughtful input...on very short notice. All the input to date has

been captured and will be used as the open issues are worked through.
A copy of all the responses is available on-line.

Regards,

WORLDWIDE CHANNELS MANAGEMENT POLICY
Version 2.1
Revised 12/16/93

COMPANY CONFIDENTIAL

- 1.0 CHANNELS POLICIES
 - 1.1 Policy Statements
 - 1.2 Channels Roles and Qualification
 - 1.3 Discounts and Programs
- 2.0 CHANNELS ROLES AND RESPONSIBILITIES
 - 2.1 Independent Software Vendor (Developer)
 - 2.2 Distributor
 - 2.3 Value-Added Reseller
 - 2.4 System Integrator
 - 2.5 TOEM
 - 2.6 Master Reseller
 - 2.7 MCS Relationships
- 3.0 DISCOUNTS
 - 3.1 Discount Architecture
 - 3.2 Approved Exceptions to Architecture
 - 3.3 Demo/Development Discounts
 - 3.4 Other Discount Programs
- 4.0 OPEN ISSUES

1.0 CHANNELS POLICIES

1.1 Policy Statements

THIS POLICY WAS APPROVED AT THE BUSINESS PARTNER BOARD OF DIRECTORS
11/18/93

This policy is worldwide, involves all end-user and Business Partner relationships and applies to all hardware, software and services product sales.

- o Six (currently authorized) Business Partner relationships, with MCS defined alternatives, will be consistently implemented worldwide in support of business plans and managed to the terms and qualification criteria of each.
- o Adding new relationship types, or changing the agreement intent of existing relationships, will require a formal proposal to the Business Partner Board of Directors and approval by the Corporate Channels Manager. Territory Managers will be consulted before any proposed changes are implemented.
- o Pricing decisions will be based on competitive price position. Discounts to end-users will be based on their commitments to Digital. Discounts to Business Partners will be based on their value added in the market.
- o Discounts to end-users and all authorized partner relationships will be consistently implemented worldwide per the corporate discount architecture. Base discounts will be consistent worldwide and incremental discounts and compensation will be consistent, as specified, per written standards.
- o Additions, deletions or changes to the discount architecture must be formally proposed to the Business Partner BOD and approved by the Corporate Pricing Director. Territory Managers will be consulted before any proposed changes are implemented.
- o All base discounts and agreements implemented in accordance with the architecture and strategy will be honored worldwide in all other countries where purchases are made.
- o Each territory and country will have formal proposal, approval, reporting and communication processes in place to support these policies, and will provide ready access to information.
- o Countries and territories will be audited for compliance with this policy on a regular basis.

1.0 CHANNELS POLICIES (con't)

1.2 Channels Roles and Qualification

Digital has currently defined six Business Partner relationships (refer to specific criteria and contract agreements). Digital has also defined five MCS relationships that may be established with any recognized Business Partner. These relationship definitions, requirements and agreements will be consistently implemented worldwide.

The terminology for each relationship will be consistently used worldwide to avoid confusion.

Digital will partner directly with channel members that meet the stated requirements of the relationship and specific revenue thresholds. For direct VAR relationships, the threshold in annual net revenues may vary by territory (currently \$350K in US).

All direct VARs who don't meet their threshold requirement will be moved to a tiered relationship with a Master Reseller.

All indirect VARs (supported by a Master Reseller) who achieve or exceed the minimum threshold will have the option to apply for a direct relationship with Digital.

Mixed or hybrid relationships, where an individual Business Partner may play more than one role, will be expected to have separate relationship agreements for each different role. Exceptions to this practice will be formally reviewed and approved.

Formal proposals for altered or additional channels relationships will be required of the sponsoring Business Unit or territory and reviewed at the Business Partner Board of Directors and by the Corporate Channels manager for approval. Territory Managers will be consulted before any proposed changes are implemented.

1.3 Discounts and Programs

Digital will consistently implement channels discounts and programs worldwide as defined in the corporate architecture (see architecture), including:

- o base discounts with consistent values per architecture
- o incremental discounts and programs per corporate guidelines
- o allowances per corporate policy

All base discounts will be implemented worldwide per the discount architecture. All base discounts granted by the host country manager in

accordance with the architecture will be honored worldwide in all other countries where purchases are made.

Formal proposals to change the base discount architecture will be required from the sponsoring Business organization, and will be reviewed by the Business Partner Board of Directors and the Corporate Pricing Director for approval.

All incremental discounts or other programs will be implemented worldwide as stated in written corporate guidelines and standards.

Formal proposals for incremental discounts or other programs will be required by the appropriate sponsoring organization (per guidelines), and will be reviewed by the Corporate Pricing Director if appropriate.

Examples in this category include Market Development Funds (MDF), Local Market Incentives (LMI), Coop funding and demo/development discount.

Any exceptions, deviations or changes to the architecture must be formally proposed by the territory or the Business organization and reviewed by the Corporate Pricing Director and the Corporate Channels Manager for a decision and approval. All approved exceptions will be documented. Territory Managers will be consulted before any proposed changes are implemented.

Allowance policy will be defined and integrated worldwide.

Countries and territories will be audited for compliance with this policy on a regular basis. Approved exceptions will be documented and provided for the audit.

2.0 CHANNELS ROLES AND RESPONSIBILITIES

The following Business Partner definitions have been revised based on input received to date. These will be further refined (see open issues.)

2.1 Independent Software Vendor (ISV)

Leverages the sale of Digital hardware with their application, which are critical to our success in the marketplace. Does not sell Digital hardware.

- o Creates, maintains, and distributes own software
- o May resell Digital software products
- o Does not typically take title to Digital hard
- o Products typically work with multiple vendor platforms
- o Primary source of revenue is their product
- o Sales process depends on size of account
- o Software product sales generate greater than 80% of their revenue

2.2 Distributor

Sells directly to end-users, providing resources that extend our reach in the market and deliver high volumes of low-end or add-on and upgrade products.

- o Acts as stocking distributor for agreed upon products
- o Provides convenience and quick delivery for end user
- o Sells with limited Digital involvement, with strong sales/marketing capability
- o Digital's products retain identity and visibility to end user
- o Less than 20% of revenue generated by own added value
- o Margins are in hardware and inventory turns
- o Sells onto Digital account base and to new customers
- o Dependent on Digital brand awareness

2.3 Value-Added Reseller (VAR)

Sells a total solution to end-users, including our hardware and their software. Their application or service represents a significant portion of the total sale.

- o Sells a total solution as their primary business function
- o Digital products retain identity and visibility to end user
- o Sells onto Digital account base and to new customers
- o Authorized to participate in defined geographies or targeted market
- o Added value is sales and marketing expertise for their solution
- o 30-50% of revenue is from added value services and applications
- o Dependent on Digital brand awareness

2.4 System Integrator

Acts as the focal point or prime for large projects and contracts, assuming performance and management risks. Primary added-value is their project management or consulting expertise.

- o Provides comprehensive information processing solution through services and expertise
- o Includes Systems Integrators and Project OEMs
- o Works as prime contractor for large custom products, assuming risks and responsibilities
- o Greater than 50% of revenue is generated by their own value added
- o May resell hardware and software, but may also subcontract from Digital
- o Often team-sells with Digital
- o Handles larger contracts than VAR, active in consulting and facilities management
- o Handles multi-vendor application solutions
- o Digital product retains identity and visibility to end user

2.5 OEM

Embeds Digital product into theirs. The Digital component represents a small portion of the total product and is often not identified.

- o Embeds original product in another product or solution before selling it
- o Buys products at all levels from Digital manufacturing
- o Digital products/technology may be sold at all levels of integration
- o Digital products/technology may be customized for this channel, and not in the price book
- o Takes primary responsibility for selling to and supporting customers with limited Digital involvement
- o Digital products/technology is generally less than 50% of the final solution

2.6 Master Reseller

Sells only to VARs or dealers, acting as a wholesaler to resellers. Sometimes referred to as a two-step distributor.

- o Owns, franchises or contracts a network of Business Partner VARs or dealers
- o Added value is channel management and fulfillment
- o Does not sell directly to end users, but to other VARs
- o Less than 30% of revenue is from added value marketing services
- o Sells primarily on their own, with strong sales and marketing capability
- o Digital products retain identity and visibility to end user

1.7 MCS Relationships

SERVICE REFERRAL -

MCS will, through commission, compensate partners for business closed by Digital as a result of qualified services leads submitted by the partner.

SERVICE SELLER -

MCS will, through discounts or commissions, compensate partners who sell service contracts and warranty upgrades and extensions.

SERVICE MANAGER -

MCS will, through discounts, compensate partners who manage the administrative complexities of maintaining their end user service contracts relative to performing warranty conversion, contract renewals, changes, additions, and deletions. Additional compensation can be obtained for performing invoicing and call screening activities.

SERVICE PROVIDER -

MCS will--through special pricing for spares, repair services, documentation, and diagnostics--support those partners who are qualified to deliver the MCS services portfolio in those markets and industries targeted by MCS for new business penetration where, otherwise, MCS would have no reasonable alternative means of creating a presence.

SERVICE INTEGRATOR -

MCS will perform either in a subcontracting or a prime role in delivering any or all parts of a solution in concert with a partner who specializes in systems or network solutions. Under this arrangement, the partner can exercise any aspect of the first four relationships as deemed necessary to win the business. The partner will be compensated in the appropriate manner related to the relationship used.

NOTE: A partner is not restricted to any one of the above relationships and may in fact invoke different relationships for different business transactions.

3.0 DISCOUNTS

3.1 Discount Architecture

DISCOUNT ARCHITECTURE (Plan of Record)
Rev. 4.0

<u>PRODUCT FAMILY</u>	<u>CHANNEL DISCOUNT (%)</u>						
	Discount off unit one or quantity list price (QPB)						
	DIRECT	ISV	DIST	INT	VAR	OEM	M.RESELLER
<hr/>							
PCs	<-----PC discount strategy by territory-----> (Discounts shown are US)						
Intel	0-9	--	12	12	12	12	16
Alpha	0-9	--	20	20	23	23	23
<hr/>							
C&P/Storage							
Category R	0	--	13	16	16	16	19
Category S	0	--	18	21	21	21	24
Category T	0	--	23	26	26	26	29
Category W	0	--	28	31	31	31	34
Category V	0	--	15	15	15	15	20
<hr/>							
Systems							
Wkstns	0-13	--	23*	26	26	26	36
Servers	0-13	--	23*	26	26	26	36
Software	0-13	--	23*	26	26	26	36
3d PSoft	0	--	0	0	0	0	0
<hr/>							
*Includes 10% ECP							
<hr/>							
Spares							
Active	<-----same as hardware prod. above----->						
Inactive	15	--	20	25	25	25	35
<hr/>							
Services							
MCS	0-20	--	GK	GK	GK	GK	GK
Learning Svcs	15	--	19	19	19	19	19
	20	--	24	24	24	24	24
<hr/>							

THE BASE DISCOUNTS INDICATED ABOVE ARE WORLDWIDE.

3.0 DISCOUNTS (con't)

THE FOLLOWING INCREMENTAL DISCOUNTS AND PROGRAMS ARE INITIATED AT DISCRETION OF BUSINESS UNITS AND TERRITORIES AND MAY VARY WITHIN CORPORATE GUIDELINES. (ANY AGREEMENT MADE WITHIN THE GUIDELINES FOR A GLOBAL ACCOUNT BY THE HOST COUNTRY WILL BE HONORED WORLDWIDE.)

	DIRECT	ISV	DIST	INT	VAR	OEM	M.RESELLER
Volume Adder*	--	--	--	--	1or3	1or3	--
*Currently Systems category only (workstations, systems, servers, software)							
MDF	A	A	A	A	A	A	A
LMI	A	A	A	A	A	A	A
Coop	--	7	2	--	2	--	3

Unique Business

Digital Consulting	<----- Custom Priced ----->						
MCS Value-Added Services	<----- Custom Priced ----->						
Vendor Alliances	<----- Custom Priced ----->						
Boards	--	--	28	<-- 0-25% Volume Schedule -->			
Chips	--	--	<----- Volume Pricing ----->				

KEY:

A = Available -- = Not Available GK= Gold Key

Category R = Desktop printers; Supplies; Vitalink Products; Media Products

Category S = Lineprinters; Printserver LPS17; Trad'l ENet; Sync Comm; Proteon Routers; PC NICs; HUB-based products; Token Ring Modules; Routers; Tapes

Category T = Printserver LPS32; X-window Terminals (except VX225/255); Trad'l Terminal Servers; Infoservers; Gigaswitch; FDDI concentrators/bridges; Trad'l NI Bridges; FDDI Adapters (except DEMFA); IBM Gateways; DECNIS; Other Routers; All Storage; All Memory

Category W = VX225/255; DECconnect; FDDI XMI Adapters

Category V = VT Text Terminals

3.0 DISCOUNTS (con't)

MCS = End User

Multi-Year Service Contract Agreement

2 year	3%
3 year	5%
4 year	6%
5 year	8%

Auto Addition 2%

Prepayment set at cost of money in servicing country
(assumed ~5%)

Call Screening 5%

MCS = Business Partner (Gold Key)

Channel compensation is not to be tied to product discount schedules. Below are guidelines for commissions and discounts appropriate to the different partner relationships:

- SERVICE REFERRAL = No more than 10% of end-user invoiced amount.
- SERVICE SELLER = No more than 15% of end-user invoiced amount.
- SERVICE MANAGER = No more than 5% above Service Seller discount/commission.
- SERVICE PROVIDER = As per the Digital Assisted Services Program (DASP) Guidelines.
- SERVICE INTEGRATOR = As negotiated on a deal-to-deal basis.

3.0 DISCOUNTS (con't)

3.2 Approved Exceptions to Discount Architecture

These are approved exceptions to the discount architecture to date. This list will be updated on a regular basis. A process and format for proposing, reviewing and deciding exceptions will be provided in January.

Europe has approval for:

- video text terminals at "S" level discounts, rather than "v"
- Hub-based networks at "T" level discounts, rather than "S"

UK has approval for:

- ECP fo product VARs (distributors) at 15% base plus 11%

APA has approval to:

- implement a portion (up to 50%) of ISV coop as cash in specific competitive situations

3.0 DISCOUNTS (con't)

3.3 Demo/Development Discounts

Demo/development discounts are being reviewed for worldwide consistency, with a proposal and decision in January.

3.4 Other Discount Programs

Earned Credit Program (ECP)

The Earned Credit Program compensates distributors for the sales investment they make in managing a project in a large account or managing a small account on behalf of Digital.

ECP represents 10% of the base discount given to distributors only for systems, servers, workstations and software. The program does not provide incremental discount, but works within the base discount architecture.

Coop Funding

A worldwide cooperative marketing program will be implemented for distributor, VAR and Master Reseller relationships. This funding will provide these channels with a new source of investment dollars for developing their Digital-based business. The master reseller channel is expected to "pass through" 2% to their VARs.

Earned as a percent of the Partner's business with Digital, coop dollars can be used to purchase a broad array of programs and services either from Digital or from third party providers in the following areas: Sales and Marketing; Product Development/Technical Services; Business Services; and Training and Education.

Market Development Funds (MDF)

Market Development Funds (MDF) are worldwide and used to develop a market segment as defined by a business unit. MDFs do not represent changes to the base discount or the corporate discount architecture, but are granted in addition to the base discount.

(Final definition and process to come).

Local Market Incentives (LMI)

Local Market Incentives (LMI) are geography-based as required to develop a market within a specific territory, rather than worldwide. LMIs do not represent changes to the base discount or the corporate discount architecture, but are granted in addition to the base discount.

(Final definition and process to come).

458008EN ISSUES

The following issues have been closed:

<u>Issue</u>	<u>Decision</u>
Terminology:	
- ISV vs. Developer?	Independent Software Vendor (ISV)
- Agent vs. MDR?	Agent, but pending definition of channel
- TOEM vs. OEM?	OEM
- Compensation for ISVs: coop, cash or both?	Will be implemented worldwide as coop only for now (see APA exception)
- Direct VAR minimum threshold?	Recommend \$350K, but territory decision.

The following issues remain open and will be worked by designated drivers for closure in Q3:

<u>Issue</u>	<u>Driver</u>
#1 Issue: "We need a channel strategy!"	Bob Dunham

Business Partner Relationship

New Channels:

- Define agent channel and compensation (understand activity currently underway)	John Oelfke
- Get retail and dealer channels into architecture	Bob Dunham

Existing Channels:

- Tighten up OEM definition and clean up channel	Jim Willis
--	------------

Discounts and Programs

- Define ECP standard and drive implementation worldwide	John Oelfke
- Define guidelines for MDFs and LMIs	John Oelfke
- Worldwide consistency of demo/development	Karen Davis
- Evaluate use of QPBs and drive worldwide consistency	Karen Davis

- Define standard for outsourcing

Bob Dunham

Process and Policies

- Define process and format for exceptions
to discount architecture

Karen Davis

Distribution:

TO: BO DIMERT @SOO
TO: PAUL VAN DER SPIEGEL @BRO
TO: CHRIS CONWAY @REO
TO: HANS DIRKMANN @RTO
TO: JEAN-PAUL NERRIERE @EVO

CC: Tony Wallace @MLO
CC: Tony Craig @MLO
CC: MARION DANCY @MRO
CC: JOHN MARKIEWICZ @AKO
CC: TY RABE @MRO

Use the RDL option to see remainder of distribution lists.

Resend Ed Kamins
cc Scott Roeth

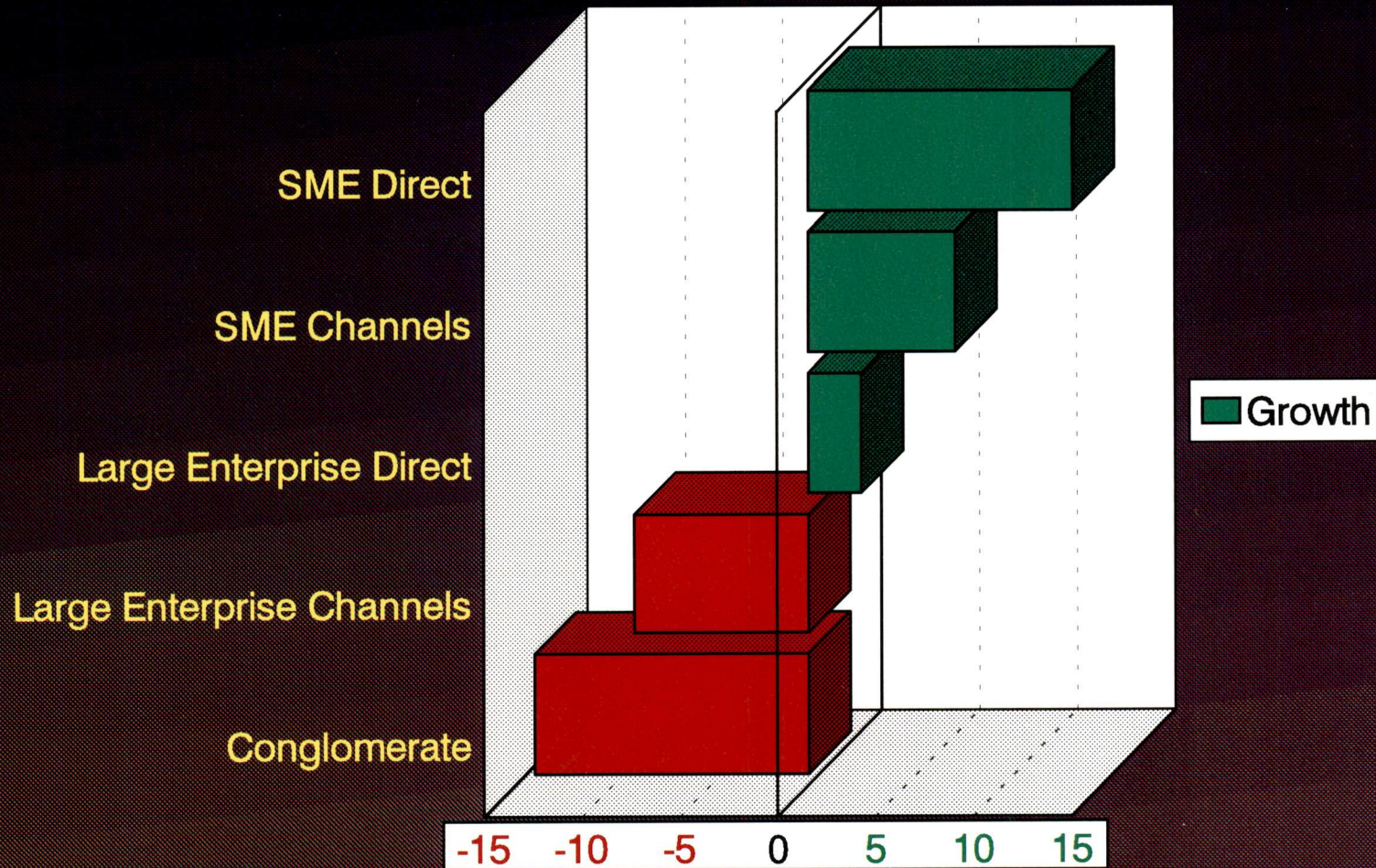
I have some questions;

- ① What is the Business Partner BOB? Who is on it?
- ② Do you support this document as written?
- ③ Who is the author; who does she work for?
- ④ Is this document intended to be the communications vehicle for "training" people?
Or, is there a formal communications plan for this?

a - file channels
return with response.

U.S. Account Growth

FY93YTD Verse FY92YTD Revenue

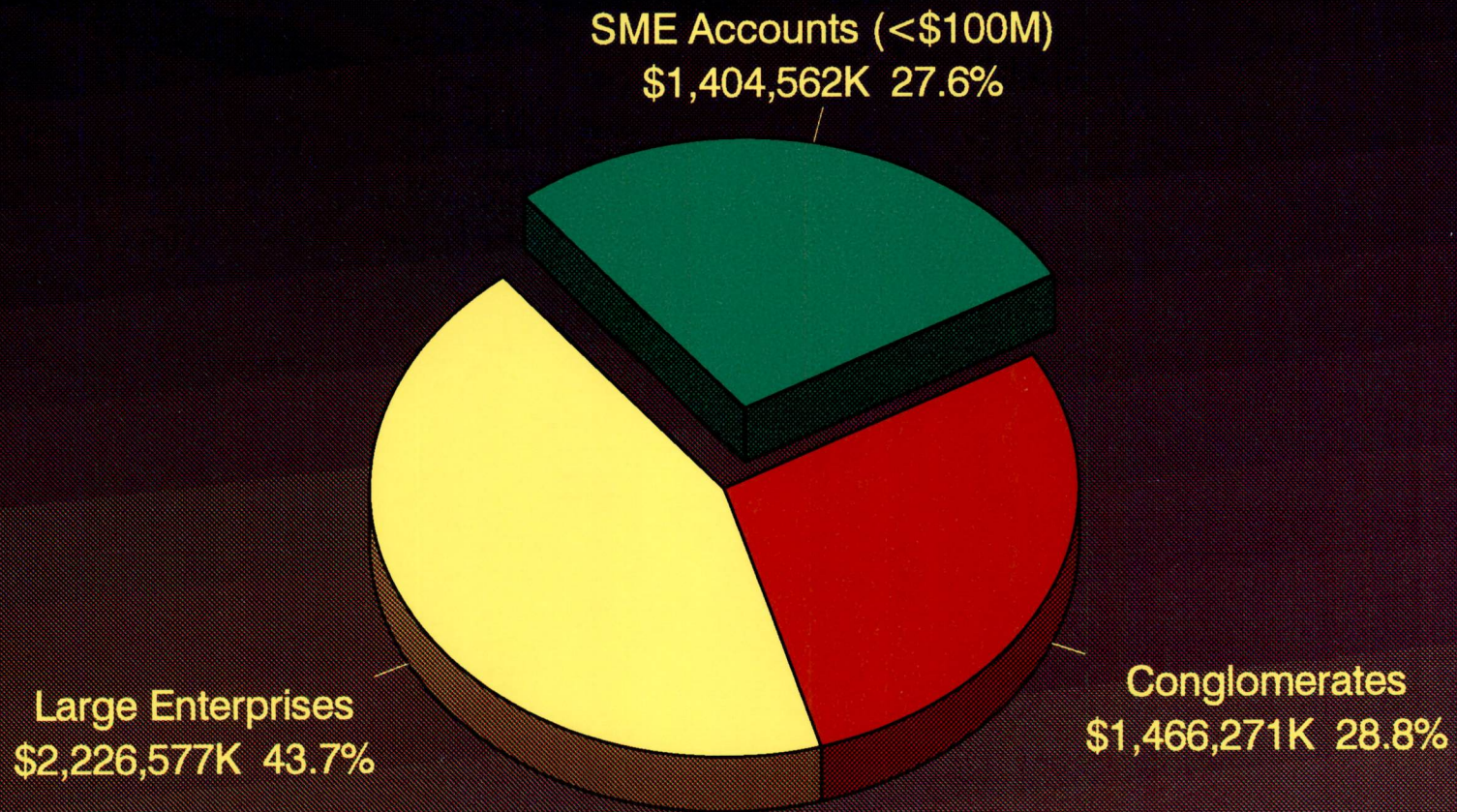


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March 1, 1993

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U.S. Accounts

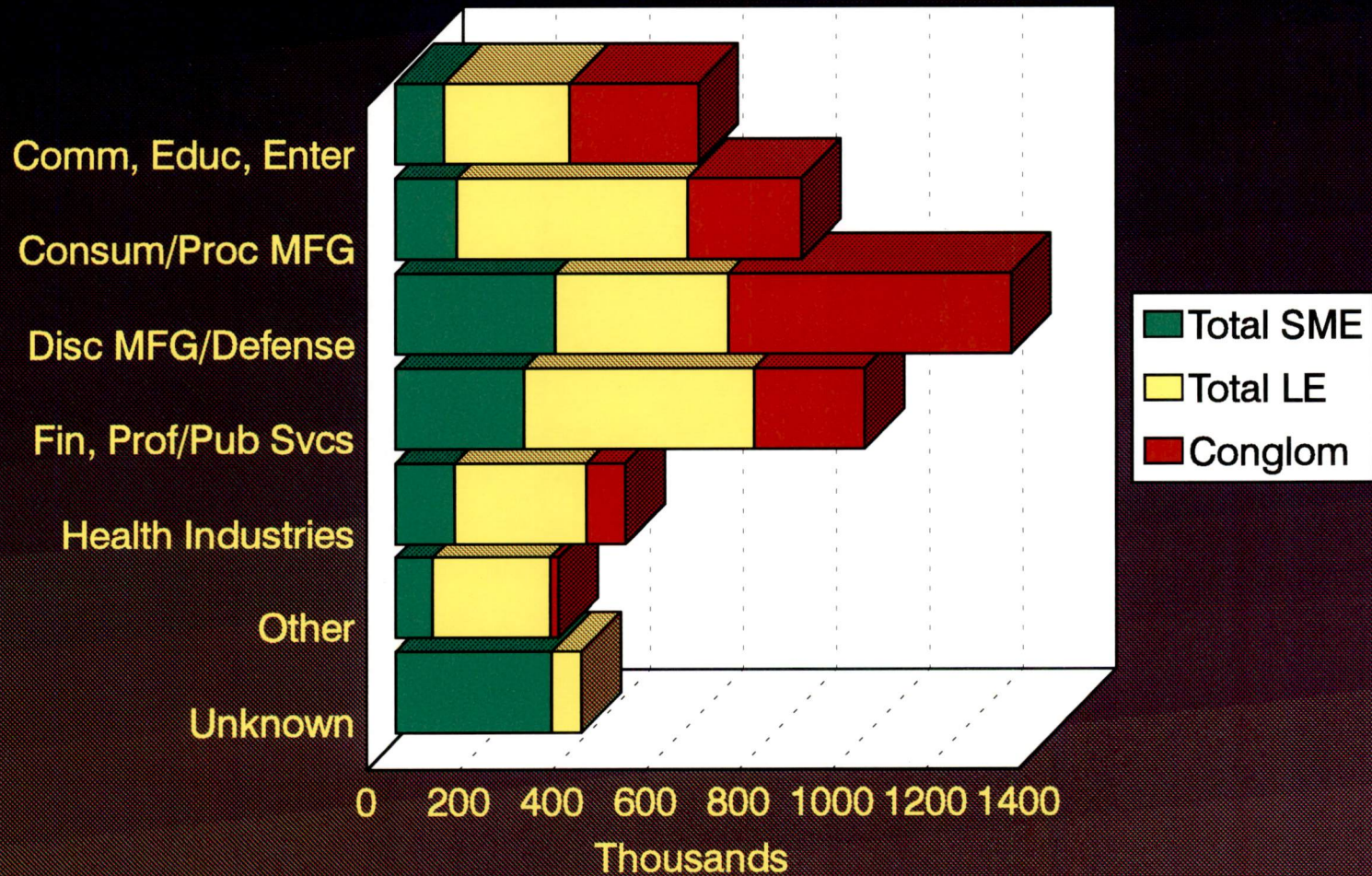
FY92 Revenue Distribution



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March 1, 1993

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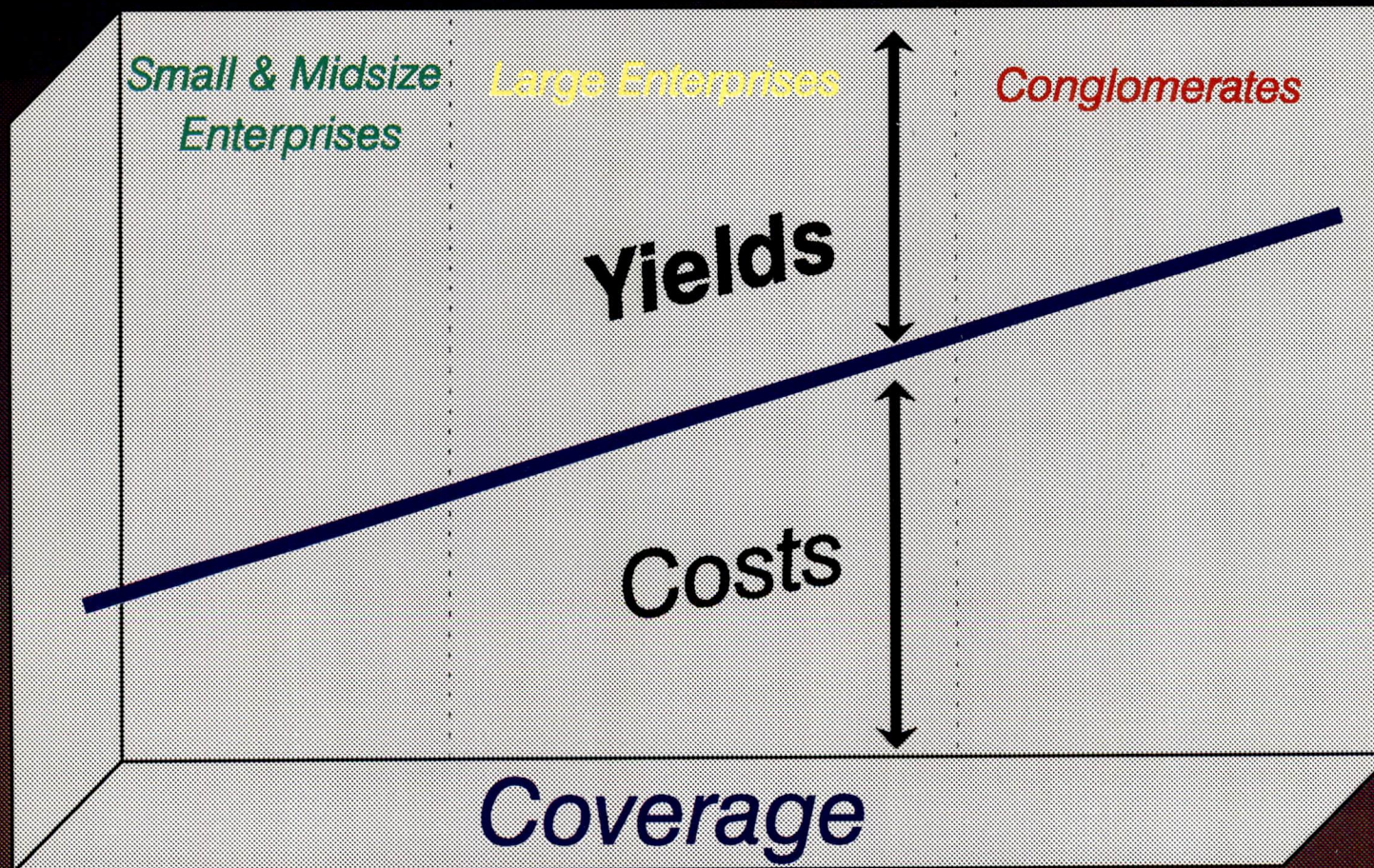
U.S. Customer Business Units FY92 Revenue Contribution

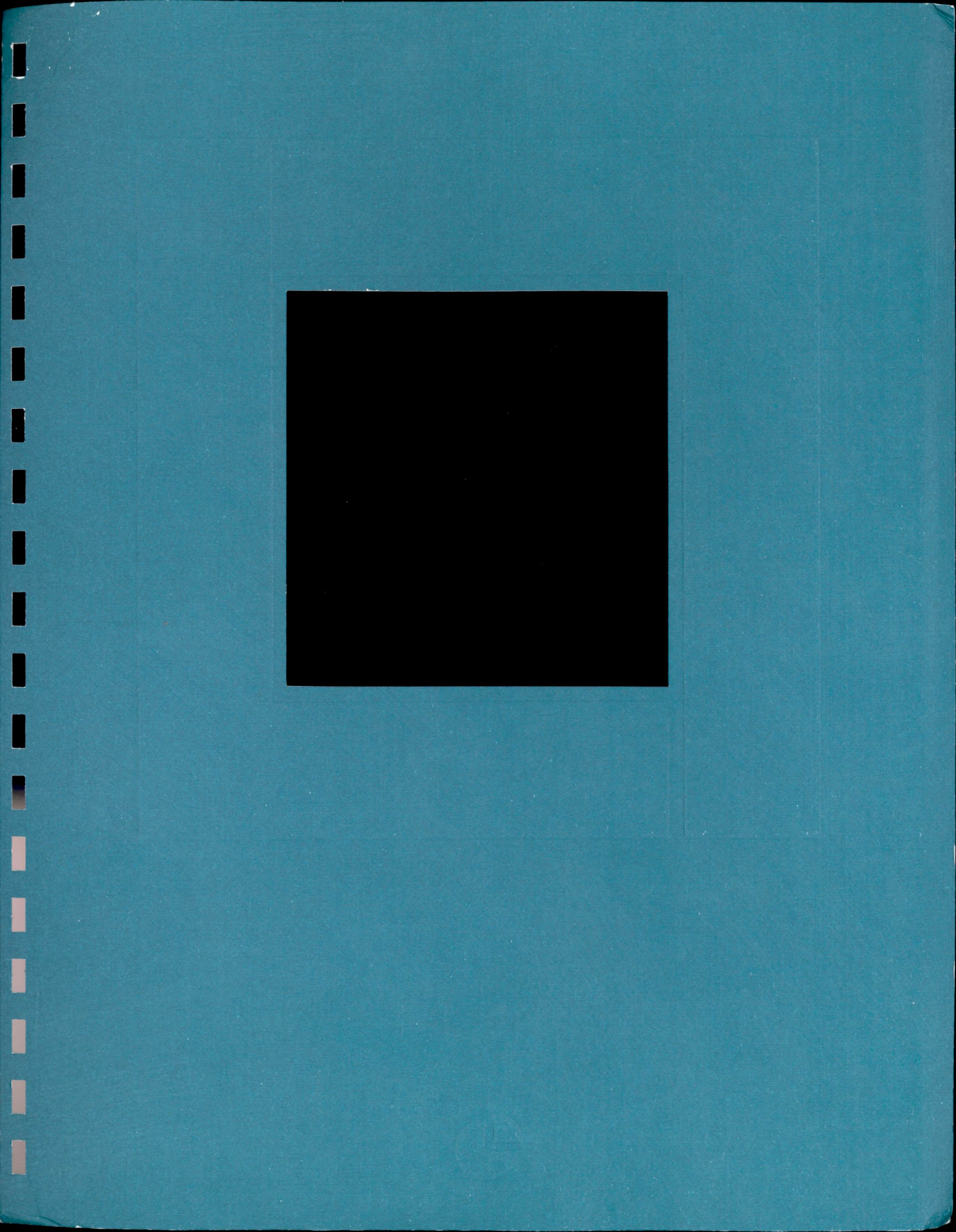


Don Jones
March 1, 1993

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U.S. Territory Customer Coverage Yield Model





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FAX: 312/454-1117



MAY 16, 1994

**A PROGRAM TO DELIVER
DIGITAL'S WORLDWIDE
CHANNEL STRATEGY OBJECTIVES**

* * * * *

DRAFT PROPOSAL

file channels

CLIENT CONFIDENTIAL

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Our Assessment of What Has to Happen for Digital to Achieve Its Worldwide Channel Strategy Objectives

The recent statements by Bob Palmer have made it readily apparent, both within the Digital organization and to the outside world, that one of the primary components of his short- and long-term strategy for the company is to shift the bulk of its hardware revenue from Digital's direct sales force channel to external indirect channels. Implicit in this business strategy are a number of key considerations:

1. To achieve this objective, Digital will have to make significant market share inroads into all of the major computer marketing channels at a time when competitors in each of these channels are aggressively trying to defend (e.g., Sun) or grow (e.g., HP) their market share positions.
2. To grow market share in these channels, Digital will have to look beyond "me too" and "same as" channel strategies and support programs and to the development and implementation of "state-of-the-art" programs that generate a true competitive advantage for the company.
3. Achieving this "state-of-the-art" channel marketing position will require a high level of understanding of end-user buying behavior and channel marketing strategy and tactics at all levels of the organization—product and marketing managers to senior executives.
4. Because one of the driving forces behind Digital's decision to move the bulk of its hardware sales to indirect channels is to take costs out of Digital's marketing system, these channel marketing programs will not only have to be highly effective. They will also have to be highly efficient programs.
5. Successful execution of these programs will require a high degree of structure and rigorous implementation on the part of the field sales force—a channel strategy component that appears to be lacking.
6. Because of the breadth of Digital's product line, from state-of-the-art Alpha-based products to commodity products such as terminals and printers, Digital will have to play in both high-support and low-support channels and effectively manage the price and margin conflicts that will invariably evolve as the company's market share position increases.

Our Assessment of What Has to Happen for Digital to Achieve Its Worldwide Channel Strategy Objectives

7. Implementation of a successful worldwide channel strategy will hinge on building territory strategies based on a handful of basic concepts that permeate strategies across the world and are modified to accommodate the unique aspects of the markets in each territory.

We feel that FL&A is in a unique position to assess the ability of Digital to achieve the channel strategy objectives laid out by Bob Palmer for two reasons:

1. Our work with Digital on 12-15 product and channel marketing projects over the last four plus years and our current involvement in channel marketing training for Digital's people have given us a strong insight into the marketing culture of the Digital organization and the capability of Digital to play at the "state-of-the-art" in channel marketing.
2. Our work with virtually all of the broad-line computer companies and many of the niched players in the computer hardware and software market has provided us with an assessment of Digital's channel marketing strengths and limitations vis-a-vis its competitors.

In response to a request from Digital's Worldwide Channels organization to "tell us what FL&A can do to help us achieve the company's channel marketing objectives," we recently spent time talking with some key marketing and sales people in some of the product groups, in U.S. Channels and in the Worldwide Channel organization. What we heard in these meetings is the same type of channel and marketing strategy thinking that we encountered in our past work with Digital:

- Marketing strategies for putting Alpha products needing high levels of technical sales support into low-support channels that will cut prices to move product, thereby depressing street price for these products. This move, in turn, will reduce margins to the point where the high-support channels that Digital needs to market Alpha products will not push sales of these products. The net result will be that Digital will end up losing channel support in both channels and will end up with another marketing failure on its hands on a product line that is key to the company's future

Our Assessment of What Has to Happen for Digital to Achieve Its Worldwide Channel Strategy Objectives

- A lack of understanding by upper and middle management of the basic rules of the game for successful channel marketing strategies which results in their putting pressure on product and marketing managers to execute channel and market strategies that do not reflect marketplace reality and are thereby doomed to failure
- A strong focus on instituting channel support programs that simply match what competitors are doing and expecting those programs to double Digital's market share in these channels and an unwillingness to take the time and effort to seek out channel support programs that will truly give Digital a competitive advantage.
- No linkage between product line strategies, channel strategies and the activities and efforts of the field sales force in the disciplined execution of these programs that is a critical ingredient in the success of any channel strategy. (The SME program is the only channel strategy in years that has built in the structured implementation that is required to execute a successful channel strategy)

These are the same types of channel strategy issues we have seen over the last three to four years of working with Digital on marketing problems. Based on some 15 years of channel strategy work in the computer industry and this admittedly limited investigation, we feel that the likelihood of Digital delivering its short-term and long-term channel marketing objectives is very slim if the company follows its present approach to the development and implementation of channel strategy.

What we have outlined in the next section of this proposal is a program that we are convinced is what Digital has to do to deliver its channel marketing objectives on a worldwide basis.

FL&A's Proposed Program

To paraphrase Winston Churchill, "these are times that call for strong actions." We believe that this is one of those times for Digital and have incorporated that thinking into the program outlined below.

The keystone of this program is a process that we have utilized in the past when trying to help large companies (e.g., AT&T and US West) make major leaps forward in their channel and marketing strategies. The program is straightforward in concept but rather complex to execute, particularly in very large companies such as Digital. The key steps in this process are:

1. Centralize all major channel strategy marketing decision-making in a small committee that has the responsibility and authority to approve, disapprove and send back for revision all present and proposed channel marketing programs that exceed a given commitment of resources.
2. Utilize FL&A to provide an external evaluation and appraisal of each of these programs as they are reviewed, and use this evaluation process to upgrade the skills and expertise of the committee members in channel marketing strategies and concepts.
3. Use the committee as a vehicle to imbed a channel marketing culture within Digital through a combination of training, education, task force study teams and committee participation.

We wholeheartedly believe that this approach will be successful and feel that Digital has little choice but to adopt this process. If Digital is going to achieve its objective of doubling its sales through channels, it has to create this interim organizational structure that will give channel strategy issues an overriding role in the design and implementation of product and marketing strategy during the next three to four years.

We are also aware of the political ramifications of introducing another restructuring into Digital's organizational structure at this time. Therefore, what we are proposing is to create an ad hoc operational solution that would be implemented on a worldwide basis for a limited period of time. It would then disappear after the structure and discipline of an effective channel strategy was internalized within Digital's existing organizational environment and can function effectively without this interim support mechanism.

FL&A's Proposed Program

The linchpin of this program would be the creation of a Channel Strategy Steering Committee. Initially, this Channel Strategy Steering Committee would focus on U.S. channel marketing issues since the U.S. territory has the most complex issues to resolve and Digital's competitive position is the weakest. In six to nine months, a similar Channel Strategy Steering Committee would be established for Europe. We would expect this European committee to follow, to a great extent, the process that the U.S. Channel Strategy Steering Committee adopted, taking into account that the channel structures are somewhat different in Europe as are the EU anti-trust laws.

Six to nine months thereafter, we would expect that a similar Steering Committee approach would be adopted for the Eastern Rim and for the Americas. The activities of this group would be much more focused on dealing with issues of building channel structures, particularly in China, Brazil and other countries where channel structures are just emerging.

These committees would have a predetermined life (e.g., three years) and would be the gatekeepers on all channel strategy programs (new and ongoing) that entail the commitment of resources in excess of \$500K per year. In this capacity, the Channel Strategy Steering Committee would have responsibility for approving, disapproving or sending back for revision all channel strategy or implementation programs developed by the product groups, industry groups, channel marketing or the field sales organization that fall within this spending criteria.

These Channel Strategy Steering Committees would have both a short-term charter (the next six to eight months) and a long-term set of objectives. The short-term objective would be to assess Digital's present and proposed channel marketing programs in terms of:

1. Those programs that should be emphasized and expanded because they present untapped short-term revenue and profits for Digital.
2. Those programs that are unlikely to succeed and, therefore, are a waste of Digital's financial and people resources.
3. Those programs that might produce some short-term revenue for Digital but will create barriers to Digital's long-term success in channels.

FL&A's Proposed Program

4. Programs that could represent short-term revenue opportunities for Digital but cannot currently be implemented because of the constraints and limitations imposed by Digital's present organizational structure.

The longer-term objective of these Channel Strategy Steering Committees, as indicated above, would be to imbed a channel marketing culture within Digital in both channel marketing strategy and execution that equals or exceeds that of HP, Compaq and other computer companies that are recognized for their channel marketing expertise.

We would expect to accomplish this long-term objective through three vehicles:

1. **The establishment of a highly structured worldwide training and education program in channel marketing that would consist of:**
 - Basic training in channel marketing concepts for all product and market managers as well as for all field sales managers
 - Two levels of advanced training for product and market managers—one on the design of effective and efficient channel marketing programs and the other on existing Digital channel marketing programs, policies and procedures
 - A training program for field sales managers on how to recruit new channel members and manage an existing channel network
 - A briefing program for senior management to keep them abreast of new developments in computer channels and in channel marketing (e.g., electronic sales channels)
2. **The creation of small task force efforts underneath the Channel Strategy Steering Committee to focus on such channel strategy issues as:**
 - New approaches to channel discount and compensation systems
 - Channel conflict management, including compensation system design for the field sales force, that encourages a strong working relationship between Digital's field sales organization and channel members

- Channel marketing system economic studies that look at the overall profitability of marketing different products through different channels
 - Changes in the structure of the channel marketing systems in the computer industry that create new channel marketing opportunities for Digital
3. **The creation of a state-of-the-art information data base vis-a-vis worldwide computer industry marketing channels, including the development of software programs for channel marketing strategy design**

Each of the Channel Strategy Steering Committees would be chaired by a senior member from Worldwide Channels and would be staffed with key senior middle management and/or lower senior management personnel from product marketing, channel marketing, sales, operations, finance and other major components of Digital's business units in each territory. Because of the need to make decisions quickly, we would expect these Steering Committees to meet at least every three to four weeks for the first six months. Meeting schedules may lengthen after that time, depending on the urgency of the decisions that have to be made.

In some respects, the activities of the Channel Strategy Steering Committees outlined overlay the responsibilities of the Channel Marketing Board of Directors that Mike Mancuso heads up. Based on our understanding of the functions of that Committee, it is primarily a communication and coordination vehicle. The Channel Strategy Steering Committee that we have outlined above has a very different charter. It is a decision-making group that has the authority and responsibility to approve, reject and send back for revision channel marketing strategy programs presented by product and marketing groups within each territory. Once these Committees have accomplished their long-term objective of imbedding a channel marketing culture within the Digital organization and they are dissolved, some of their activities should migrate to the Channel Marketing Executive Committee.

FL&A's Role in This Undertaking

Because of the amount of effort that has to go into this undertaking and the limited time available to develop workable solutions to Digital's channel and market strategies, we propose to assign a three-person (or more) work team to this undertaking. This project team will work closely with the Channel Strategy Steering Committee to:

- Evaluate, in detail, the efficiency and effectiveness of Digital's present channel strategies and channel marketing programs in the computer industry channels
 - systems integrators
 - all of the VAR channels
 - computer dealers and aggregators
 - electronic distributors
 - computer stores and electronic retailers
 - other less structured channels
- Identify opportunities and channel strategies that will enable Digital to leverage its market share position in these computer industry channels
- Investigate "out-of-the-box" channel marketing strategies that can enable Digital to establish unique competitive positions in major computer channels
- Provide structure and support to the Channel Strategy Steering Committee in their evaluation of channel marketing strategies and programs presented for their approval
- Work with the Worldwide Channels group to accelerate the development of a structured channel marketing training program
- Work with the field sales organizations to bring structure and discipline to the implementation of Digital's channel marketing programs

FL&A's Role in This Undertaking

- Provide ad hoc support to the Channel Strategy Steering Committee as they begin to structure and discipline Digital's channel marketing programs

As indicated previously, the primary focus of the FL&A project team for the first six months would be Digital's U.S. channel strategy. Thereafter, this focus would turn to Europe and, eventually, to the Pacific Rim and to the Americas. This project team would consist of one of our senior project managers plus two of our staff consultants. This project team would be supported by Frank Lynn, by one of the consultants from our London office for our work on Digital's European channel strategy and by one of our senior managers who manages our channel strategy work on the Pacific Rim for that aspect of this effort.

The monthly budget for this effort is estimated at \$120,000 per month through the end of 1994. This budget will be reviewed at that time in light of the anticipated workload going forward. Direct project expenses for travel, telephone, report production and other out-of-pocket expenses will be invoiced at cost. Typically, these direct expenses amount to 25% of the cost of professional effort.

FL&A's Resources and Capabilities

Frank Lynn & Associates has a unique set of channel and market strategy capabilities and resources that it brings to this undertaking. During the last four plus years, we have undertaken a number of product and channel strategy programs. These programs have included PCs, workstations, terminals and software and have provided us with an opportunity to gain a close-up insight into Digital's channel marketing programs in the U.S. and to develop an understanding of Digital's channel marketing capabilities and limitations.

During the 14+ years that we have been conducting channel and market strategy programs in the computer industry, we have worked for almost all of the major computer companies—IBM, HP, Apple, AT&T's Computer Group (NCR), Data General, etc., as well as for a number of the niched manufacturers in the computer hardware and software industries (see Exhibit I). This work has given us an outside perspective with which to compare the effectiveness of Digital's channel marketing strategy and programs vis-a-vis its competitors.

Beyond our channel marketing expertise in the computer industry, we have a unique set of resources and capabilities that we feel will be invaluable to Digital in this undertaking. These resources and capabilities include the following:

- 1. FL&A's Core Competencies and Support Capabilities in Channel Marketing**

Frank Lynn & Associates is known in the world of marketing as "The Channels People." Channel marketing has been a specialty of our consulting firm for nearly the entire 20+ years of our existence. During this period, we have been innovators in a number of channel marketing concepts that are now widely accepted as normal channel marketing strategies and tactics. We pride ourselves on being at the state-of-the-art in our field and are currently working on such new concepts as value-based channel compensation systems, hybrid channel systems, channel marketing systems for interactive data and information services and "cost-to-serve" techniques for improving the efficiency of channel marketing systems.

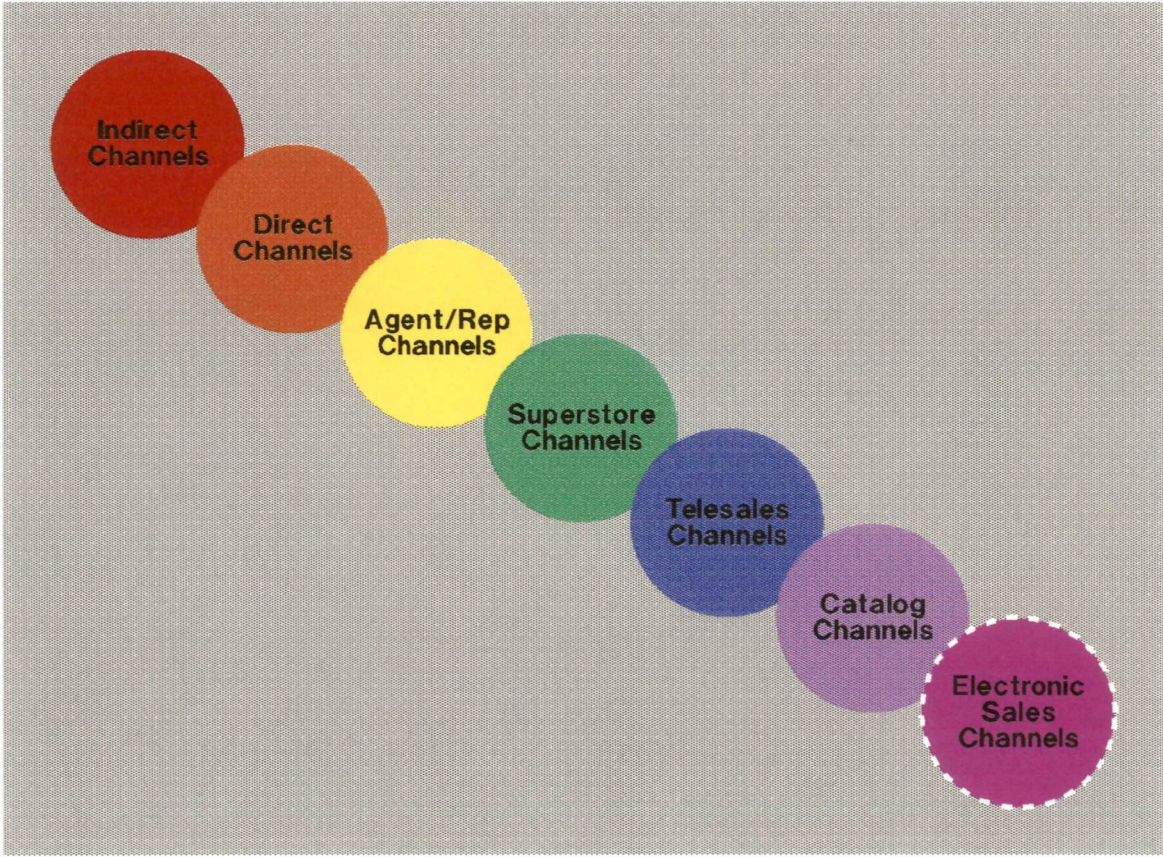
Because of our focus on channel marketing, we have developed a depth of knowledge and experience in all facets of channel marketing, including new technologies that we see impacting the field of channel marketing in the near future. These areas of channel marketing expertise and our core competencies in these channels are summarized in Exhibits II and III.

Frank Lynn & Associates' Background and Experience in the Computer and Software Industries

Exhibit I

Company	Project Classification
Apple	Hardware
AT&T/NCR	Hardware/software
Burr Brown	Hardware
ComputerLand	Services
Data General	Hardware
Digital Communications Associates	Hardware/software
Digital Equipment Publishing Software	Hardware/software
Hewlett-Packard	Hardware/software
Hitachi America	Software
IBM Corporation	Hardware/services
Legent	Software
Merisel	Services
MicroAge	Services
Microelectronic Computer Consortium	Software
Motorola	Hardware/software
Racal-Datacom	Hardware
RASNA	Software
Shared Financial	Software
Sony Corporation	Hardware
Sun	Hardware
Symbol Technologies	Hardware
Transform Logic	Software
Texas Instruments	Hardware
Unisys	Hardware
Xerox	Hardware

Exhibit II



FL&A's Resources and Capabilities

As channel marketing systems have become more complex during the last five years, we have found it necessary to surround our core competencies with other support capabilities to help our clients deal with the more complex channel marketing systems that they are having to create to deliver their revenue, market share and profit objectives. These channel marketing support capabilities divide themselves into two categories: channel marketing support capabilities and sales force support capabilities. These support capabilities are summarized in Exhibit IV.

As we view the task of developing a worldwide channel and market strategy for Digital, we feel that many of these support capabilities, as well as our core competencies, will be required to resolve the issues that will have to be dealt with in developing an effective and efficient worldwide channel strategy for the company.

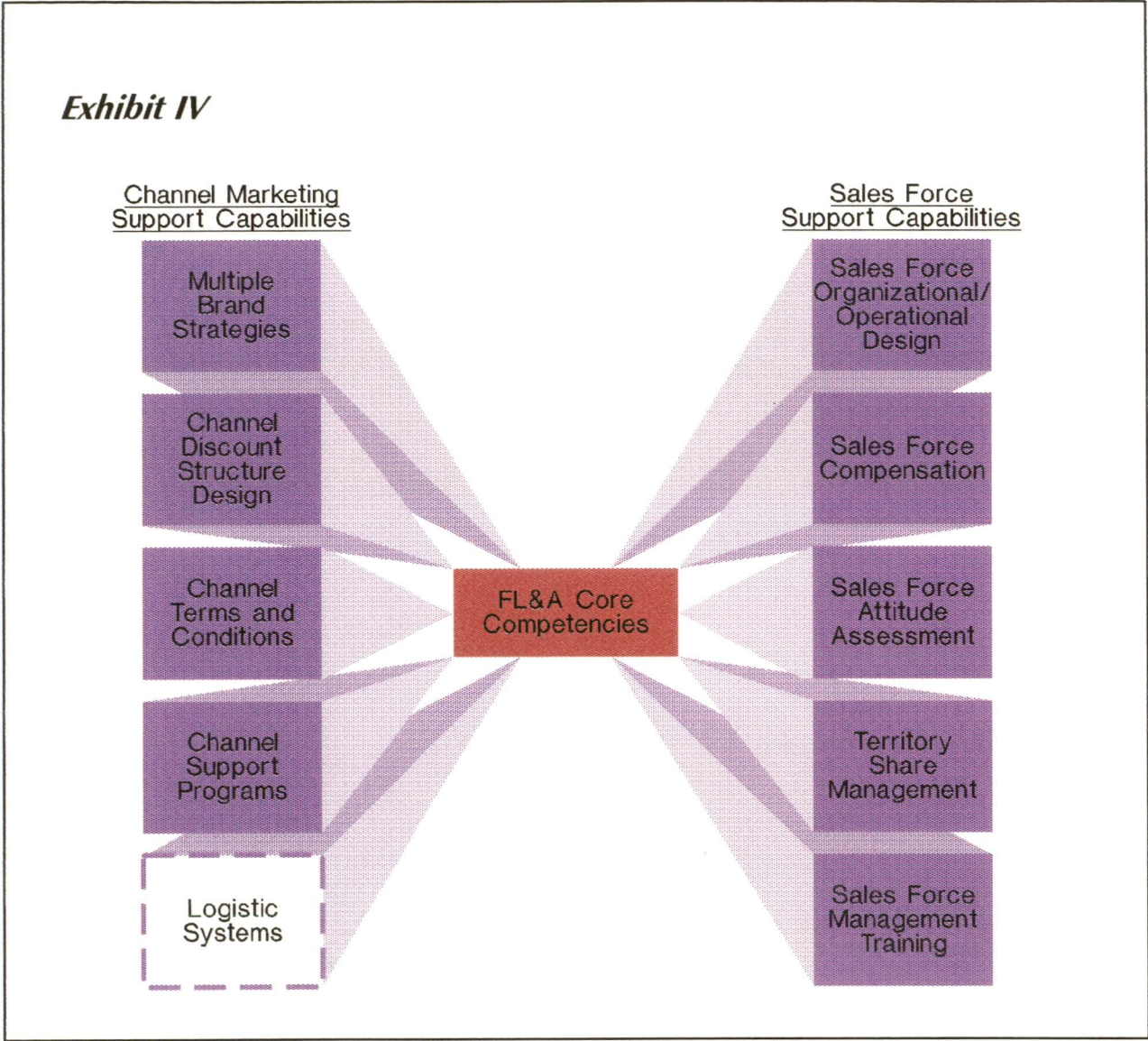
2. FL&A's Approach to the Development of Worldwide Channel Marketing Strategies

Most of our major clients continue to "wrestle" with the issues that surround the design and execution of a worldwide channel and market strategy. On one hand, senior management needs to have a sufficiently detailed knowledge and understanding of the design and execution of their channel and market strategy so that they can recognize when their strategy is not functioning effectively and focus management attention on resolving the problems that have arisen. Country managers, on the other hand, typically insist that their country marketplaces are unique, that they have to craft a channel and market strategy that reflects this uniqueness and that they cannot be bound by the constraints imposed by a single worldwide channel and market strategy.

The reality is that the concerns and issues of both parties are valid and have to be addressed in the development of a worldwide channel and market strategy. In retail markets, the uniqueness of country cultures and channel structures is such an important issue in the development of a channel and market strategy that highly customized country strategies are a requirement to success. Fortunately, in high-tech markets, we find that new technologies tend to create end-user market and channel structures that are not as strongly impacted by country differences. As a result, worldwide channel and marketing strategies can be developed with a strong core of consistency across countries and can be modified to reflect the differences in channel structures and business practices that do exist from one country to another.

Frank Lynn & Associates' Channel Marketing Support Capabilities

Exhibit IV



FL&A's Resources and Capabilities

In working on Digital's worldwide channel strategy issues, we would plan to incorporate aspects of an approach to worldwide market strategy development which we call "What is the Same? What is Different?" There are three components that are critical to the success of this "Same/Different" process (see Exhibit V):

1. Several core market models have to be developed that reflect a range of market and channel structures that are likely to be encountered in countries that account for substantial portions of Digital's revenue.
2. The same analytical structure has to be utilized in each of these market models so that each market can be directly compared against the other(s) so that the elements of each market that are the same are evident, as well as the differences.
3. Country managers in other parts of Digital's worldwide market have to be trained and coached in the analytical structure we employ so that they can conduct this same type of analysis of their individual country markets.

We have utilized this "Same/Different" process in developing worldwide channel and market strategies for several companies. It provides the insight and understanding that enables senior management to monitor the progress of implementing individual country channel and market strategies.

3. FL&A's Channel and Market Strategy "Tool Box"

During the 20+ years that we have been working on channel and market strategy problems for clients, we have developed a series of proprietary analytical and insight tools that help us understand the dynamics and economics of markets. We call these analytical and insight tools our FL&A "Tool Box." The components of this "Tool Box" are shown in Exhibit VI and consist of the following:

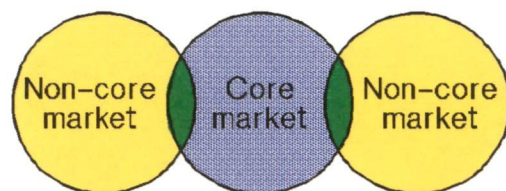
- Market Life Cycle Analysis

Provides a framework for understanding the dynamic and economic changes that take place in a marketplace as a new technology or innovation matures and end users' need for technical support diminishes. It is also a predictive model that helps companies understand the marketplace changes that are likely to occur in the future.

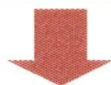
Frank Lynn & Associates' "Same/Different" Approach to Worldwide Channel and Market Strategy Development

Exhibit V

FL&A's "Same/Different" Approach to Worldwide Channel and Market Strategy Development

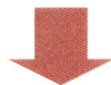


Develop a detailed channel and market strategy for the U.S. market



Use the U.S. model as a template to developing channel and market strategies for other core markets:

- One or two European markets
- The Japanese market

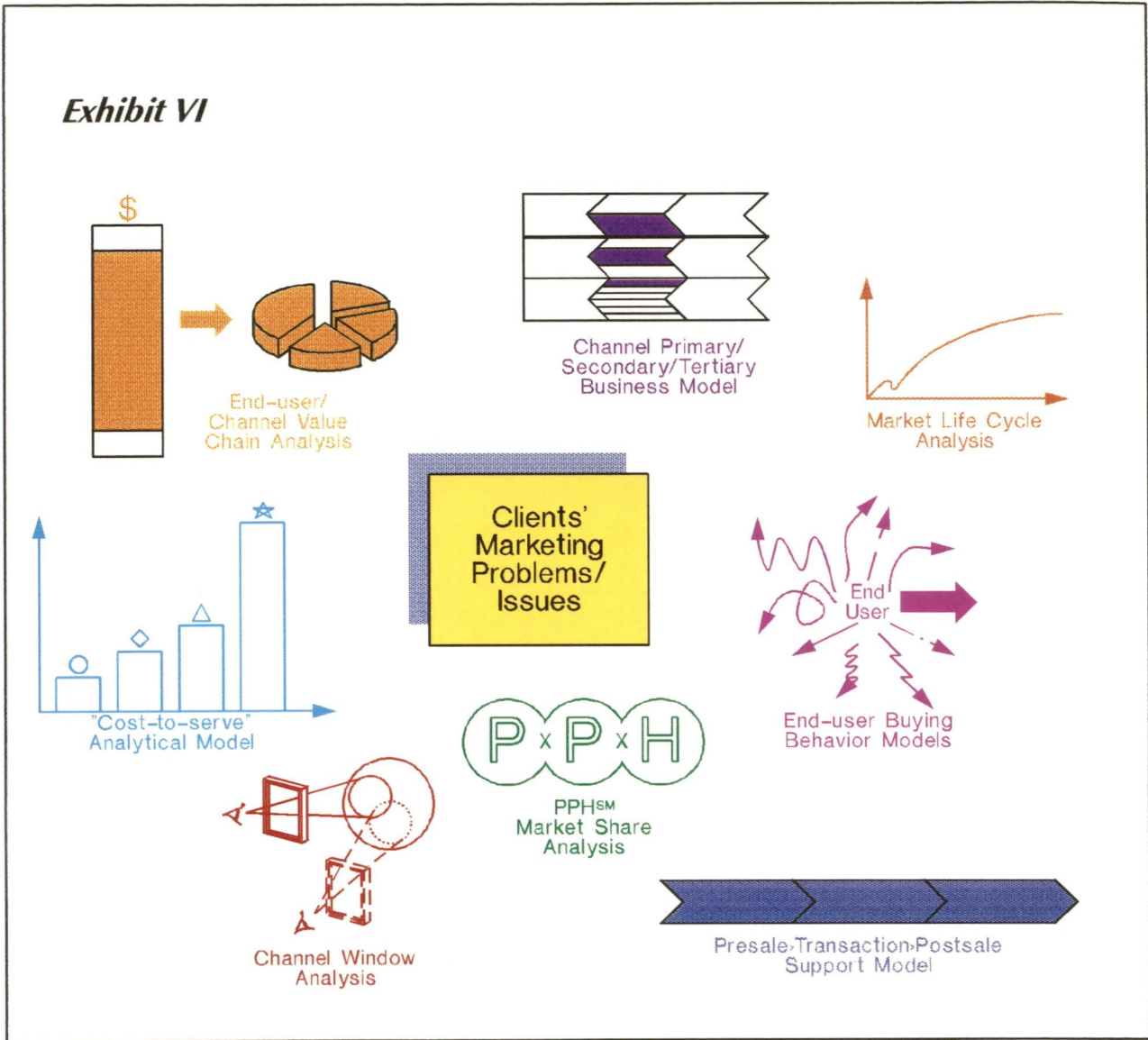


Use seminars to teach country managers in non-core markets how to use the models and analytical processes to develop channel and market strategies for their individual countries:

- Europe
- The Pacific Rim

Frank Lynn & Associates' Market and Channel Strategy "Tool Box"

Exhibit VI



FL&A's Resources and Capabilities

- End-user Buying Behavior Models

End users, particularly large accounts, tend to have highly structured processes for buying different types of products and services. We have captured these models from other projects and have constructed a reference library which we use to help us understand end-user buying behavior in markets that are new to us.

- Presale>Transactional>Postsale Support Analysis

Channel strategies have to be built around end-user support requirements. P>T>P is a structured process for identifying the individual components of end-user support at various stages in the sales cycle and at various stages in the market life cycle.

- PPHsm Market Share Analysis

PPHsm Market Share Analysis is an analytical tool that breaks market share into three separate components—Product, Presence and Hit Rate. Each of these components has a separate impact on market share and drives different strategic options. The PPHsm tool can be applied to an overall market or to individual market segments.

- Channel "Window" Analysis

Channel "Window" Analysis is a process that we use to determine the market segment that channels and individual channel members address effectively and efficiently. We use this tool to help field sales organizations measure the market coverage that their channels are providing and to identify voids in their market coverage.

FL&A's Resources and Capabilities

- Channel PST Business Model

The leverage that a supplier has within a channel is dependent on the impact which that product or service has on the channel's business. Primary product lines drive the channel's business, establish the channel's "window" into the marketplace and consume most of the channel's sales and marketing resources. Secondary product lines are add-on sales to existing customers, but channels do not "chase" this market. Tertiary product lines receive little or no sales effort and are typically bought by the end user rather than sold by the channel. The position that a supplier's product line has within a channel's business has a major impact on the channel strategy that a supplier can execute.

- Cost-to-serve Analytical Model

Cost-to-serve is an adaption of Activity-based Costing concepts to measure the cost of providing discrete components of end-user and channel support. It can be used to measure internal support costs as well as external channel support costs.

- End-user/Channel Value Chain Analysis

This is an analytical process that we have adapted from Value Chain Analysis concepts to compare the cost of providing various components of customer support and comparing them to the value that end users place on each of these components. We utilized these concepts to build a value chain across the entire channel marketing system and use this analysis as a basis for designing hybrid channel marketing systems.

We use these analytical and insight tools in every channel and market strategy program that we undertake and plan to utilize them in the undertaking outlined in this proposal. We have also developed a channel strategy training program built around this "tool box" and have incorporated these "Tool Box" concepts into the channel marketing training program we are presently conducting for Digital product, market and channel managers.

4. FL&A's Market Sorting Process

Over the years we have been working with clients to develop and implement channel and market strategies, we have developed a process that our client experience tells us is the method which works to develop strategies that meet the client's business objectives. This process is based on several basic premises:

- Market segmentation is the key to successful channel and market strategy design; market segmentation based on buying behavior and end-user support needs is the critical element in channel strategy development
- Channel strategy has to begin with a comprehensive insight and understanding of end-user support needs and then move to an assessment of a channel's ability to deliver those support needs and, finally, back into the client's business
- If a channel cannot deliver all of the end user's support needs, it is the obligation of the manufacturer to find a way to deliver those support needs outside of the channel structure
- A channel strategy that delivers end-user support needs in an effective and efficient manner is the key to high market share positions
- Channel discount structures are a very critical component of any channel marketing strategy and, if designed properly, can focus channel buying and selling behavior
- Channel cost structures and product mix establishes a channel's "window" into the marketplace where it is most effective; manufacturers' efforts to change that "window" or expect the channel to sell outside of the "window" are generally an exercise in futility
- An in-depth understanding of the economics of channel marketing systems is becoming a more important competitive leverage in highly competitive markets

FL&A's Resources and Capabilities

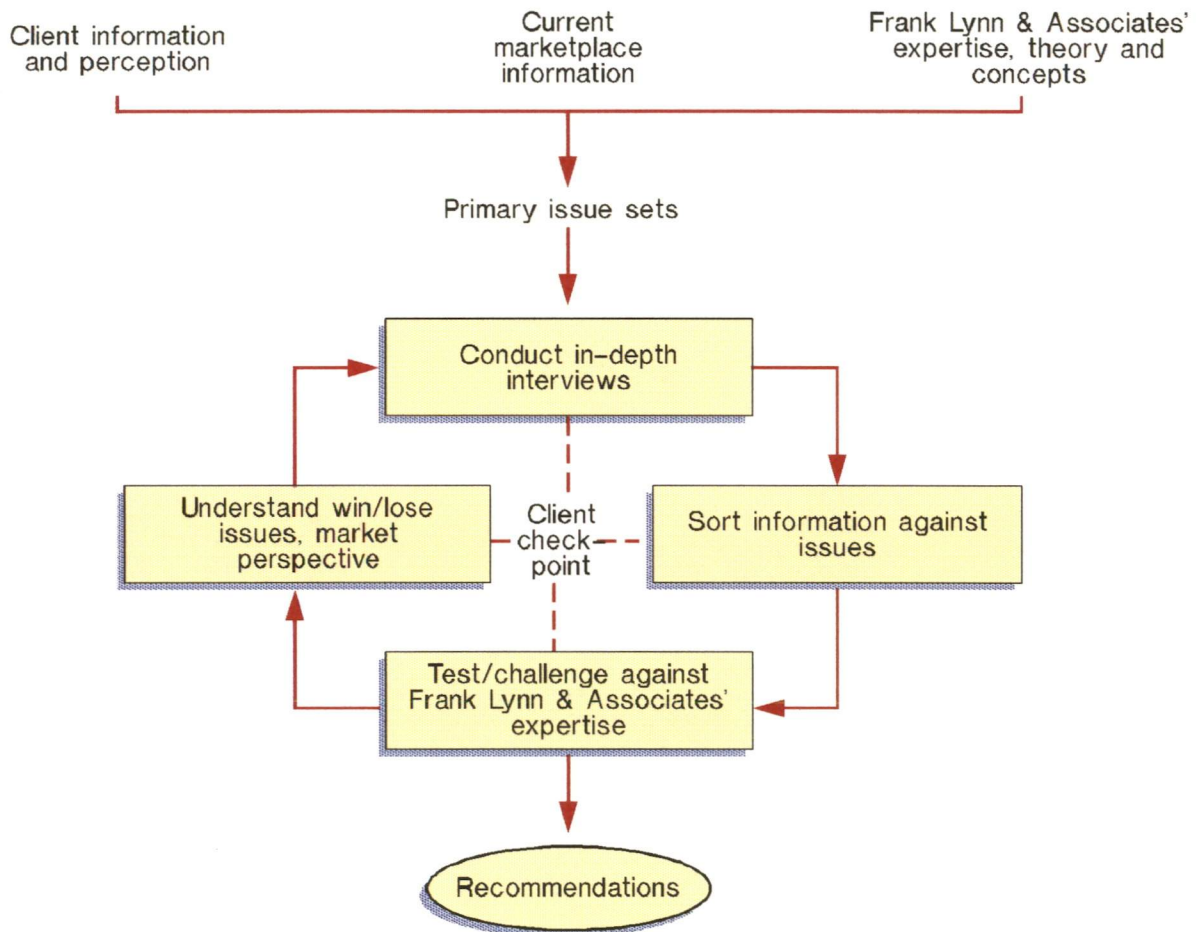
- If a manufacturer is experiencing no channel conflict in its marketing system, it does not have enough market coverage; if a manufacturer has too much channel conflict, it will result in price erosion in the marketplace and eventual loss of market share
- Senior management must take ultimate responsibility for channel strategy and a corporate vision to guide it
- Changing channel paradigms requires senior management foresight, radical organizational change and a willingness to cannibalize old products and old channels

Generating the marketplace insight and understanding dynamics and economics is the essential element in the design of any channel and market strategy. However, the development of this market insight and understanding is not a linear process. As a result, we utilize the iterative interviewing process shown in Exhibit VII.

As we generate this marketplace insight and understanding, we utilize a number of proprietary FL&A analytical and insight tools (see discussion on the FL&A Tool Box). These tools help us understand the dynamics and economics of the marketplace and help us understand the key win/lose issues for our client. As this marketplace interviewing continues, we constantly challenge our initial premises, change those that no longer fit with what we are finding and create new ones where appropriate. This iterative process continues until we have satisfied that we fully understand the win/lose issues and how our client will have to deal with these issues. This understanding then becomes the basis for the channel and market strategies the client will have to adopt to deliver its business objectives.

Frank Lynn & Associates' Methodology/Market "Sorting" Process

Exhibit VII



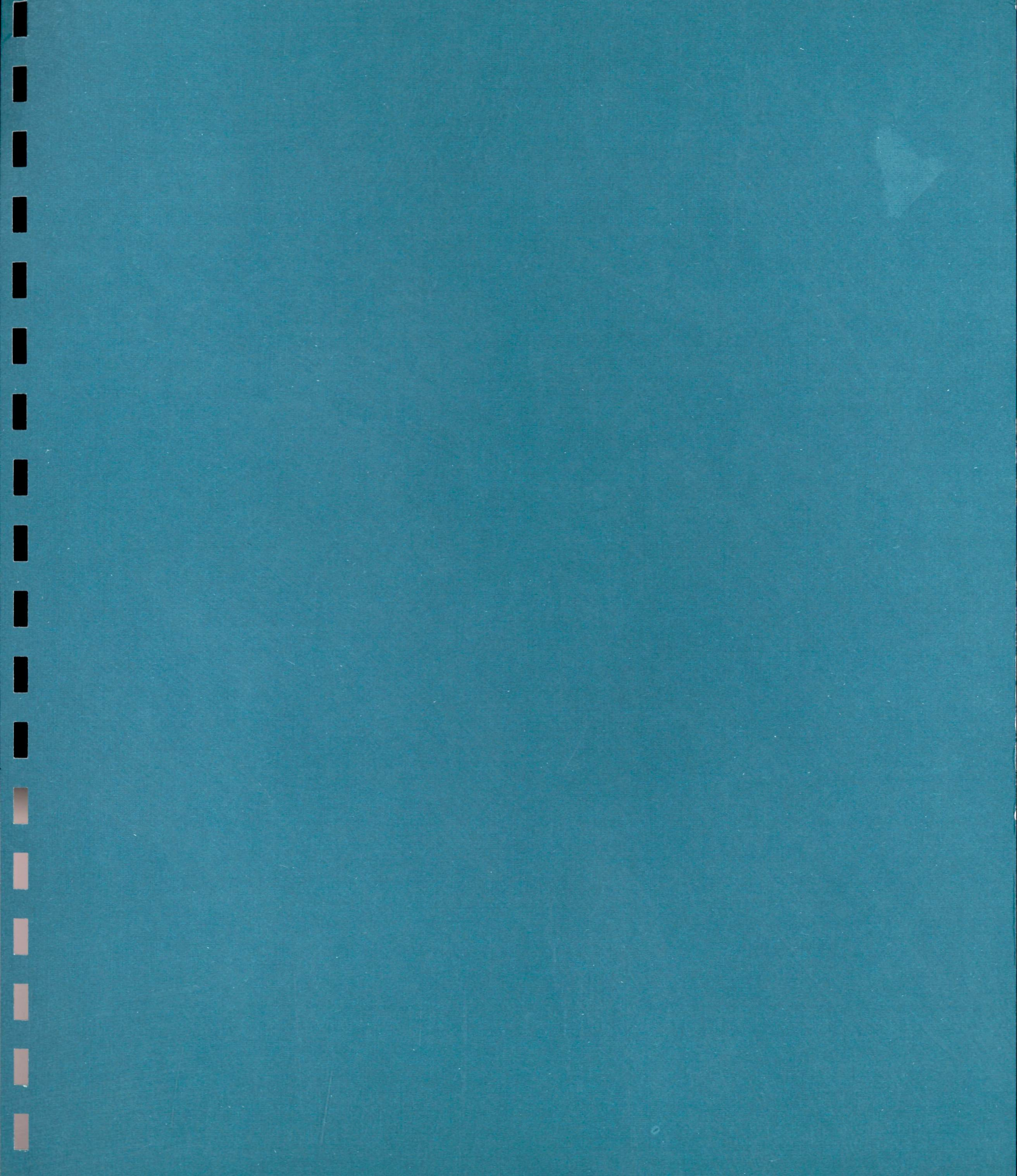
Summary

This proposal has outlined what we feel is the only approach that will deliver Digital's objective of materially increasing its market share in computer channels on a worldwide basis. This approach of creating a small Channel Strategy Steering Committee to be the focal point of all channel strategy programs is the only way we know to bring the discipline and structure to Digital's channel marketing strategies that is required to achieve the goals established by Digital's Senior Leadership Team. It is that which we have employed in other large company clients when a marketing strategy challenge of this nature and magnitude has to be dealt with quickly and effectively. As with any proposal, the thinking that we have outlined here is subject to modification and change as we explore these issues in more detail with our client.

We strongly believe that we have a unique set of resources and capabilities to bring to this undertaking, along with a detailed understanding of the channel strategy issues that have to be resolved if Digital is to achieve its channel marketing objectives. We pride ourselves on being at the state-of-the-art in channel marketing and have a history of finding creative solutions to situations in which conventional answers will not work. We believe that this type of channel marketing expertise will be required to achieve these objectives.

We are proposing to assign a at least three people to the project team on this undertaking for a minimum of six months, at which time the workload and budget would be reviewed. The project team would consist of one of our senior managers as team leader, two of our experienced staff consultants and the support of Frank Lynn and other individuals within our organization, as this effort expanded into the European, Pacific Rim and the Americas markets. The cost of this project team would be \$120,000 per month for professional services, plus direct project expenses which are not expected to exceed \$30,000 per month.

We welcome the opportunity to have further discussions with senior management at Digital regarding the program we have outlined in this proposal.



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I N T E R O F F I C E M E M O R A N D U M

Doc. No: 072120
Date: 19-May-1994 03:50pm EDT
From: Terry Fink
FINK.TERRY AT PNDVUEA1 at MLN

IL at MLO

Dept: Corporate Pricing
Tel No: 223-3996

TO: See Below

Subject: AGENT PROGRAMS

This is a follow-up to Tony Craig's memo dated 17 May 1994, on Digital Authorized Agents.

Please see attached on agent programs we are developing for use in FY95. I would be pleased if you could assign an individual to help develop these programs over the next 60 days. If you are not able to assign someone, please let me know who in your territory I should keep informed of our progress.

Regards,
Terry

Attached

file channels

THIS NOTE IS FROM JOHN OELFKE AND TERRY FINK

As you are aware, we are driving the creation of an Agent framework which will be available to you in Q1 FY95. We believe the definitions that will emerge will be useful to you with your Coverage Model and distribution strategy. Also the goal is to have the commission structure be both competitive in your markets and cost effective in your financials.

We have worked with a number of Territory and Corporate people to design the "Territory Agent" framework (see attached) which is mostly complete and mostly approved. It will be the basis for expanding the Agent framework to encompass other type of agents. We expect, based on feedback to date, adding 2 types of agents to the framework. A simple definition of the 3 Agent channels contemplated are:

Territory Agent: Responsible for a fixed geographic or Market space, defined locally as needed. Responsibilities would be similar to a Digital Sales Rep/Support person and they would use Digital or a Channel to fulfill the order.

Account Agent: Responsible for a specific account or accounts, defined locally as needed. Responsibilities would be similar to a Digital Sales Rep but goaled primarily on the use of alternate channels to "sell" and "fulfill" orders.

Solution Agent: An agent relationship with a partner which mirrors a VAR who does not take title to the hardware. This would be a bridge between ISVs and VARs for partners who are willing to sell the Digital hardware along with their application but do not want to handle the Hardware or the Receivables.

Our request of you is to provide a contact on your staff and/or input into your needs for such channels ASAP. AS we stated earlier (and in Tony's memo) our goal is to have this available to you in 60 days.

Please send your response to John Oelfke @MLO. Thank You.

Base Agreement on Definition of
Worldwide Territory Agent Channel

Base Definition:

A Digital Territory Agent (DTA) is an Authorized Agent of Digital and acts on behalf of Digital in areas specified within their contract. In general, the expectations are that the Agent's role will map to that of a Digital Account Responsible Industry Sales Rep. They are Unlike a VAR in that they generally do not create and support application software, but may in fact acquire the rights to market software products as well as hardware products. They typically specialize their efforts within a given geography, market or family of products. A Digital Authorized Agent must be qualified to provide resources dedicated to the support of Digital's products and services or partner solutions in its territory. Digital, in return, pays compensation in the form of commission, and provides marketing and technical support.

1. Rules of Engagement

A: Roles & Responsibilities

Unless otherwise stated, an Agent's role is defined by the Channel organization in the Territory where the Agent operates. Specific definition of the Geographic, Product or Market limitations for any individual Agent is defined there.

ROLE OF DIGITAL AUTHORIZED Agents

Authorized Agents DO NOT:

- * Take title to the product, carry inventory or receivables

Authorized Agents Do:

- * Identify opportunities and manages the sales cycle on behalf of Digital
- * Sell defined product set into a geography, vertical market or set of named accounts
- * Add value through sales and marketing expertise - lead generation
- * Quotes standard Digital terms and pricing: does not take title to product, but does have responsibility for order placement
- * Act as an extension to Digital: responsible for account management, on-going support, and customer satisfaction
- * Sell Standard Digital Services, when available, so that MCS and/or DCS can Manage the account through installation and training

Specific T&C are ruled by local laws as applicable. There will be formal guidelines (Draft Contract) to use locally which specify: roles and responsibilities of both parties, restrictions, criterias and Compensation. Agent contracts are for 1 year and require a decision to

SELECTION CRITERIA

The following criteria should be considered as "Required" when evaluating a candidate for the Authorized Agent program:

- * Ability to support the entire sales cycle, including
 - prospect identification
 - preparation of configurations and quotes
 - direction of all negotiations with customers
 - management and coordination of delivery and installation
- * Quality Reputation
- * Does not sell Competing (defined Locally but must at least include Standard System products) Products

The following criteria should be considered as "Important" when evaluating a candidate for the Authorized Agent program:

- * Length of time in business
- * Financial stability
- * Digital product knowledge
- * Expertise and experience of sales, technical and administrative personnel
- * Commitment to train sales and support personnel on Digital's products
- * Expertise in the authorized industry or product set
- * Complementary product offerings (Stated on Application and in Contact)

Sales Credits

Channel Conflict

Basic Premise:

Since all Agents are assigned to a defined market and territory and the portfolio of products and services, which is assigned to an agent, is defined specifically for each market, there should be minimal, if any Channel Conflict with Digital Directly. We are creating Agents in order to cope with Digital's needs for more extensive coverage of the territories and for fixed selling costs reduction.

Cross-Indirect Channel Conflict

Channel Conflict between indirect Channel are inevitable but can be minimized by the Territory doing a responsible job in creating Agents only in Areas (Geography, Markets or product sets) that are not covered already by VARS, Distributors or Channels of 2 Tier Distribution. Local Revenue requirements should not impact the mapping decision if current coverage is real and viable.

Agents "Territory"

Territory Agents will not be compensated for sales made by any other party into their "Assigned Space". Any exception to this must be approved by the Business Partners Board of Directors (BPBOD).

*Sales with ISVs

Since customers buy solutions, Agents who work with an ISV to create a "Solution" sale should be encouraged to work with the ISV for the sales leverage. Digital will compensate the ISV for sales made with the Agent.

Enduser Credit if sold to DNA or non-DNA

Since Territory Agents are an extension of Digital's sales Coverage and their assigned space can have excluded "House Accounts" which are on the DNA list, There is no need to compensate or credit any Territory Agent sale made to a Digital Sales Rep except where a Salesperson has budgeted responsibility (Product agents selling to DNA) or as outlined in an approved Territory SME plan. We are recommending that the revenue and Goals for the Agents roll-up to District/Regional levels.

DIGITAL SUPPORT FOR AUTHORIZED Agents

Basic Philosophy:

It is to Digital's benefit to have well trained, well supported, competent Agents who are seen as well representing Digital and who have the information and tools available to them to win when ever possible.

Training:

Agents, as representatives of Digital, should have available to them, at no cost, any internal training course available to the Digital sales Rep. External courses should be made available at the cost incurred by the Local Office to run such training. Local implementation plans/programs, should ensure that this privilege is not abused and such abuse may result in billing back the cost to the agent.

Support Tools:

Where possible tie them into any Electronic information system (i.e. Genysis or similar Corporate System) used by the Digital sales force, modified as appropriate to protect Digital and its Customers.

Configuration and quoting tools

Free access to a Modified AQS, Tech Support Lines, Sales Update, ETC.

Sales and marketing tools and materials

Access to Digital literature order system

Demo/development discounts

It is assumed that there will not be much need for Demos. Where necessary they should use local office. If they choose to buy a Demo system, they are eligible to sign a Demo Development agreement.

2. Compensation rules/Guidelines

COMPENSATION

Base premise:

Authorized Agents receive a commission based on net invoice price. As with other Business Partners whose compensation is based on the value and cost of activities they perform on our behalf, Authorized Agents are compensated for customer development and sales activities. The actual commission rate may vary depending on the selling activity which the agent performs on our behalf within their defined territory.

Specific Compensation guidelines:

Agents will be paid as a percentage of Net Invoice. Since they sell only within a specific territory and to mostly non DNA accounts the Territory will set the specific guidelines for compensation we will give them between 10-15%. 10% is the base for all agents, 15% can be reached thru incentives or a higher base plus incentives. Incentives should be limited to "real" value provided items such as volume or Product specific incentives that move inventory or old/new products. Compensation over 15% max. (outside the Corp. Discount Architecture) needs prior approval from the Corp. pricing Office and BPBOD.

COOP

There will be no COOP offered

Fulfillment of small order thru Distributors

The use of Distribution/ VARS to fulfill Agent orders is a territory decision and must be specifically delineated in any Agent Channel proposal. The decision should revolve around both "strategy" and order costs. Territories need to look at the best method for fulfilling an order and take into consideration issues such as channel conflict, order fulfillment cost by Digital, ETC. In no case may the compensation we give a distributor and the agent for fulfilling an agent's order, be more than the compensation due for that product on the Distributor's curve (VAR curve if that is the fulfilling Channel) Example: Distributor system limit is 23% but it is 26% for a VAR. Territories are encouraged to run a good financial analysis prior to deciding which method is best for them.

Overall: We are clear in the ways we want to compensation Agents and the limits on that compensation. We have tied that compensation to a set of expectations about responsibilities and duties to ensure a consistent cross channel relationship.

Administration

We discussed, in detail, how we would administer the Agent program or at least what would we expect the Territory's administrative process to do for us. Discussions included tracking and crediting orders for both the Agent and any shadow credit, proper discounting and delivery to the enduser. Tracking to ensure that the agent did not sell outside their restrictions (who and how does an order get approved/accepted by Digital).

Major Topics DISCUSSED:

Agreement To Date: Administrative issues are Territory decisions as to how it will be done but we expect that the net result to the Agents should be similar

Payment Timing

When Do we pay the agent on Shipment, Invoicing, and/or payment by the Enduser? What role do we expect the agent to play in the area of collectable revenue? Do we still pay the agent even if the end user never pays?

Outcome expected: Except where prohibited by law, Agents will be paid when we have received payment from the end-User.

Order Modification/cancellation

Outcome expected: Agent is compensated on final product value shipped and paid for by End-User

Minimum order size

Outcome expected: Use best channel for Digital (look at total cost to "deliver" and Competition model

Tracking revenue for the agent to be compensated

Outcome expected: Agent payment is automated and auditable and ties to real orders

Allowing the Agent to give an allowance/discount on systems to the SME Customer base, yes? How?

Outcome expected: Agents should be given a limited flexibility to give, in Digital's name, a discount on systems not to exceed 5%. Local Programs should create methods (sharing in the savings?) which incent Agents to sell as close to List price as possible. Any additional allowance required to close the business must be authorized prior to order submission to Digital.

Distribution:

TO: GRAHAM LONG @HGO
TO: YOJI HAMAWAKI @TKO
TO: RON BUNKER @SNO
TO: LUIS ZUNIGA @LAC

TO: RON LARKIN @TRO

CC: RUSS GULLOTTI @MKO

CC: TONY CRAIG @MLO

CC: BOBBY CHOONAVALA @ZPO

CC: JOHN OELFKE @MLO

Use the RDL option to see remainder of distribution lists.

*file
Channels*

**PIONEER STANDARD ELECTRONICS, INC.
AND
PIONEER TECHNOLOGIES GROUP
Cleveland, OH and
Gaithersburg, MD**

Pioneer Standard Electronics, Inc. and its 50 percent owned affiliate, Pioneer Technologies Group, Inc. are Distributors headquartered in Cleveland, Ohio and Gaithersburg, Maryland, respectively. The two companies combined have 40 branch locations throughout the United States. Pioneer Standard's territory coverage is complementary to Pioneer Technologies, in that they do not overlap in any geography.

Pioneer services U.S. major markets only. Pioneer is ranked 3rd in sales volume of the 1500 Distributors in the United States. The sales of Pioneer Standard and Pioneer Technologies combined for FY'93 totaled over \$714M. The Digital product line represents approximately 24% of Pioneer's revenue.

Pioneer is unique among Digital authorized distributors in that they run their company on a Digital VAXcluster. Pioneer not only sells Digital, they actually run their business exclusively on Digital products. Annual internal use of Digital purchases exceed \$1 million.

Pioneer's Corporate mission is to be the preferred link between their suppliers and customers while providing the investors with attractive financial growth.

**Preston B. Heller
C.E.O.**

Pioneer Standard Electronics, Inc.

Preston (Pete) Heller is President and Chief Executive Officer of Pioneer Standard as well as Chairman of the Board. Prior to joining Pioneer, Mr. Heller was a principal with the renowned accounting firm of Arthur Young and Comapny.

A graduate of Purdue University, he serves on the Board of Directors of Cleveland Machine Controls and Mueller Electric Company. In addition, Mr. Heller is a member of the NASDAQ Advisory Board.

**James L. Bayman
President and Chief Operating Office Pioneer Standard
Electronics, Inc.**

Mr. Bayman is President and Chief Operating Officer of Pioneer Standard. Mr. Bayman has held a variety of positions since joining the firm in 1969, ranging from General Manager to Executive Vice President. Prior to joining Pioneer, Mr. Bayman served in a number of management positions within the electronics industry. He holds a Bachelor of Science degree in Industrial Engineering.

Arthur Rhein

Senior Vice President Sales and Marketing, Pioneer Standard Electronics, Inc.

Art is currently responsible for all sales and marketing activities for Pioneer. Prior to becoming Vice President of Marketing in 1986, an elected officer of the company in 1987, and a member of Pioneer's Board of Directors in 1990, Art was Vice President Northeast Region where he supervised Pioneer's efforts in the newly acquired Harvey Electronics locations. Art had been a Vice President of Marketing with Harvey. In the period between 1966 and 1983, Art had various sales and marketing management positions within the electronic component industry, joining it after attending Cornell University from 1962 to 1966.

Janice M. Margheret

Vice President - Finance & M.I.S., Pioneer Standard Electronics, Inc.

Janice is an operating officer of Pioneer-Standard. She is responsible for directing both Management Information Systems and Financial Services for the Company. She is also the Executive Sponsor of FutureStart, Pioneer's total quality initiative focused on business process redesign bringing enhanced value to customers, suppliers and employees. Janice joined Pioneer in 1983 and was elected an Executive Officer in 1987. In 1988 she took on the additional responsibilities of overseeing the sales and operations of an operating division of the company.

Janice was formerly with Ernst & Young from 1977 to 1983. At Ernst & Young she specialized in the distribution, manufacturing, banking and advertising industries. Janice graduated Magna Cum Laude with a B.S.B.A. degree concentrating in marketing, accounting and management.

Bruce Tucker, Sr.

President and Chairman of the Board, Pioneer Technologies Group, Inc.

Mr. Tucker founded Pioneer Technologies in 1964 and assumed the positions of Chairman of The Board and President. He is also director of Pioneer Standard Electronics, Inc., as well as MCA, Inc., a medical OEM.

He is a graduate of American University.

R. Frederick Hammett

Senior Vice President Systems Marketing, Pioneer Technologies Group, Inc.

Mr. Hammett is the Senior Vice President of Systems for Pioneer Technologies. Prior to joining the company in 1977, Mr. Hammett served in a number of management positions within Fairfield Semiconductor and Westinghouse Electronic.

Mr. Hammett holds a degree in Mechanical Engineering from Ohio University.

U.S.DISTRIBUTION SALES (USDS)

USDS OVERVIEW

Authorized Distributors have played an integral role in Digital's Channels strategy for over 15 years. Their strengths in sales and technical resources, service capabilities and their understanding of VAX/ALPHA 4000 class systems, workstations, components & peripherals, storage and PCs provide a resource to End-User Account Managers which are often underutilized.

As we work to become more efficient and productive within our company, without impacting the service and support we offer our customers; our partnerships with Authorized Distributors become more critical. Distributors are well qualified to handle customer's installed base needs, while allowing our direct sales organization to focus on the larger opportunities within our account base. In addition, Distributors can enhance Digital's profitability.

Many of these Distributors started with Digital in selling LSI Chip and Board level products. They are major players with semiconductor manufacturers the likes of Intel, Motorola, TI, etc. They represent a significant revenue opportunity to Digital with our new Alpha Chips offering.

USDS Financials

Total USDS projected NOR for FY'93 is \$420 million. This represents 25% growth over FY'92. Field contribution margin for FY'93 is projected to be \$112 million or 29.5%.

The following reflects FY'93 projected NOR for the distributors attending the 1993 USDS President's Meeting:

Avnet (includes Canada)	\$118 Million
Pioneer (Standard & Technologies)	\$100 Million
Wyle	\$ 32 Million
Arrow (includes Arrow Schweber Drive Business)	\$ 31 Million
Merisel	\$ 30 Million
Anixter	\$ 11 Million

Distributor Value Add

- ✓ 1000 Sales Representatives
- ✓ 200 Field Application Engineers
- ✓ Product Expertise

The Opportunity For Digital

- ✓ Use Direct Resources To Win New Projects
- ✓ Use Direct Resources To Focus On Large SI Opportunities
- ✓ Deploy Distributor Sales Team To Win Follow-On Business
- ✓ Focus Distributors on Aftermarket Opportunities
- ✓ Have Distributors recruit and manage small to medium size VARs

The Benefits Of Working With Distribution For Digital

- ✓ Gain Incremental Headcount
- ✓ Cover Remote Customer Sites
- ✓ Prospect For New Customers
- ✓ Offer Aftermarket Expertise
- ✓ Benefit From Repeat Technology Specialists
- ✓ Keep Direct Sales Representatives On Strategic Business
- ✓ Take Advantage Of The Lowest Cost Of Sales Channel

The Benefits Of Working With Distribution For Our Customers

- ✓ Prompt Delivery
- ✓ A Complete Solution
- ✓ Value-Added Centers For Customization And 3rd Party Integration
- ✓ Immediate Access To Specialists In Low-End Digital Products

ANIXTER BROS., INC.
Skokie, IL

Anixter Bros., Inc, a \$1.4 billion company, is the premier global distributor of advanced connectivity solutions from desktop to data center, with particular expertise at the physical layer Networks. Anixter supplies a full range of voice, video, data and power products. Anixter has extensive experience in fiber optics and multivendor interconnection.

Anixter supplies a full range of Digital's network components including Open DECconnect, FDDI products, Workgroup family, Terminal Servers, Bridges, Transceivers, Repeaters, PC LAN Servers and Terminals.

George Miller
President and Chief Executive Officer

George Miller, President and Chief Executive Officer of Anixter, began his career with the wiring systems distributor in 1976. Before taking charge of this division 1991, he served as Executive Vice President and the President of Anixter Canada, Inc.

In the course of his lengthy career, George has gained extensive experience in electrical industry sales. Prior to joining Anixter, he worked in Montreal as General Sales Manager of Iberville Fittings Ltd., a subsidiary of GTE Sylvania Canada Ltd., and then General Manager of Westburne Electric Supplies. Early in his career he held sales positions with Allied Electric Supply and Northern Electric Co. Ltd., now Northern Telecom, in Montreal.

ARROW ELECTRONICS

Melville, NY

Arrow Electronics, Inc. is one of the world's largest distributors of electronic components, systems and related products with annual sales of \$1.6 billion. Through its distribution network spanning the U.S., Canada and Europe, Arrow and its affiliated companies market the products of most of the United States leading Semiconductor Manufacturers, including Advanced Micro Devices, Cypress Semi Conductor, Hams, Hewlett-Packard, Intel, International Dectifier, Lattice, Maxim, Motorola, National Semiconductor, SGS-THOMPSON, Signetics and Texas Instruments as well as the products of AT&T, Augut, Beckman, Digital Equipment , IBM, SUN and Sprague among others.

Robert J. McInerney

President, Arrow/Commercial Systems Group

Mr. McInerney, an officer of Arrow Electronics, Inc., is the President of Arrow's Commercial Systems Group. In addition, he heads the MI Systems Division, Almac/MTI Systems, Arrow Express, and the Application Systems Division.

Prior experience at Arrow includes: Group Vice President, Ventures; Group Vice President, Military & Computer Products and Vice President, Military.

Previously, he was Senior Vice President of Marketing for Mergenthaler Linotype, a division of Allied-Signal Corporation. He also held various positions with Texas Instruments, including that of National Sales Manager.

Mr. McInerney received a B.S. in Economics and a B.A. in Business Administration from East Carolina University.

Peter Ver Eecke

National Sales and Marketing Manager

Mr. Ver Eecke is responsible for sales and marketing for the MTI and Almac Systems Division of Arrow's Commercial Systems Group.

Joining the company in 1981 his prior experience at MTI includes Regional Sales Manager, Director of Marketing and Product Marketing Manager.

AVNET, INC.
Great Neck, NY

Avnet, Inc. a \$2 billion company, is one of the world's largest distributors of electronic components and computer products for industrial and military customers. Components are shipped either as received from supplier or with assembly or other value added services. Avnet also produces or distributes other electronic, electrical and video communications products. In the U.S. Avnet recently acquired Hall-Mark Electronics Corp., a \$700 million electronics distributor.

Avnet's Electronic Marketing group (EMG) accounted for 84% of FY'92 sales. The Video Communications group accounted for 6% of FY'92 sales, while the Electrical and Industrial Group accounted for 10% of FY'92 sales. Hamilton/Avnet Electronics EMG's largest member accounted for 58% of group sales in FY'92. It distributes semiconductors, connectors, passive components and computer peripherals largely to OEMs. Avnet Computer, formed in 1991 distributes computer systems and products to OEMs, resellers and end-users. In FY'92 it accounted for 20% of EMG's sales. Avnet Computer supplies all Digital products up to an including the 7000 series, with expertise in desktop, PC connect and migration services. They maintain a direct U.S. sales force in 31 metropolitan locations.

Additionally, Time Electronics, another Electronic Marketing Group organization, distributes connectors, passive components and semiconductors to military/aerospace and industrial OEM's. It accounted for 18% of FY'92 sales. Avnet's European Group (Avnet Access, Time, Composants and Nortec) accounted for 4% of EMG sales in FY'92.

Richard Ward

Executive Vice President, Avnet Computer

Mr. Ward has been in the distribution industry for 20 years, fifteen of which have been with Hamilton Avnet. He has worked in such capacities as Sales Manager, General Manager, Area Business Manager, Senior Vice President and Director of Sales. Mr. Ward serves as a functional executive of Avnet Computer.

George Smith

Senior Vice President of Sales, Avnet Computer

Since joining Avnet in 1978, Mr. Smith has held positions as Area Sales Manager, Regional Sales Manager, General Manager and Eastern Area Vice President. Mr. Smith is responsible for all product and service sales generated by sales units within the United States and Puerto Rico. Mr. Smith is also responsible for the sales strategies and goals for all U.S. Sales units.

Jeff Beall

Vice President, Digital Sales & Marketing Avnet Computer

Jeff Beall joined Avnet, Inc. in September 1980. During his career with the company, Beall has held positions of Customer Service, Telesales, Field Unit Director and Area Manager for the Western U.S.

In January of 1992, Jeff was made Director of Digital Equipment Sales and Marketing. In his new position, Beall has primary responsibility for all of Avnet Computer Digital product sales and marketing efforts, including channel strategies, sales development and direction,

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MERISEL
El Segundo, CA

Merisel has established a leadership position in the commercial distribution of microcomputer products in both the U.S. and internationally covering Europe, the Pacific Rim, Latin America and Australia. Growing to over \$2.5 billion in sales, Merisel has become one of the largest publicly held distributors in the computer industry.

Merisel is distinguished not only by its broad selection of competitively priced CPU, peripheral and software products but also by its excellent selling, technical and marketing support provided to resellers and vendors. Merisel delivers high quality customer services through its market focused divisions; Retail, Macintosh, Advanced Products and OEM.

Merisel provides Digital's complete family of desktop products including PC, printer, terminal and networking products to resellers throughout the United States. In addition, Merisel's Advanced Products Division sells Digital's RISC Unix workstations and SCO UNIX systems/servers to authorized Digital resellers.

John Connors
President, Merisel

John Connors has been a member of the executive team of Merisel Inc. for more than 10 years. John is responsible for the management of the company's U.S. operations, development of its short - and long-term U.S. strategies, and direction of domestic acquisition and growth activities.

Throughout the past 13 years, John held various positions within the company. He served as Merisel's senior vice president, overseeing the company's U.S. Sales divisions which included VAR, Retailer, Macintosh, Consumer Products, UNIX and Major Accounts divisions.

Previously John held the position of senior vice president of Marketing and Products. Prior to that, John held the position of senior vice president, U.S. Sales for Microamerica.

John holds a B.A. in Economics from Tufts University.

Linda Kroog

Vice President of Strategic Product Planning, Merisel, Inc.

Linda Kroog is Vice President of Merisel's Strategic Product Planning department. In this role Linda identifies major business opportunities and develops plans for Merisel's U.S. operations.

Linda joined Merisel in August of 1990 as Vice President of Products. Prior to joining Merisel, Ms. Kroog ran the Sales organization for Visicorp, PLUS Development and Ashton-Tate. She has over 12 years of experience in the computer industry.

Linda has a B.A. in English and Journalism from St. Louis University.

WYLE LABORATORIES
El Segundo, CA

Wyle Laboratories is a \$541M national distributor of high technology electronic products and components. The company is also a major supplier of research, engineering, testing and support services to the aerospace, defense and energy industries. Wyle is also a leader in providing value-added services such as kitting and turnkey manufacturing which directly enhances customer competitiveness through reduced time-to-market.

Wyle maintains five regional centers, which provide engineering design, programming and testing services for user-configurable semiconductors. Equipment manufacturers out source their inventory handling and board assembly requirements by using Wyle's kitting and turnkey manufacturing services. This is Wyle Laboratories fastest growing business.

Wyle's direct sales organization is located in fifteen major metropolitan locations in the U.S., and is supported by a central HOT LINE, a technical support staff and a warehouse located in Garden Grove, CA. Wyle supplies all Digital products up to and including the VAX and ALPHA 7000 series.

Ralph Ozorkiewicz

President & Chief Operating Officer

Mr. Ozorkiewicz joined Wyle Laboratories in April 1985 as Executive Vice President and Operations Manager of the Electronics Marketing Group. He was named President of the group and elected Vice President of the Corporation in June 1988 and President and Chief Operating Officer of the Corporation in June 1992.

Formerly, he was Executive Vice President and Chief Operating Officer for Kierulff Electronics, where he also served successfully as Vice President, Southwest Group and Senior Vice President, Corporate Marketing. Before joining Kierulff in 1980, Mr. Ozorkiewicz served over ten years with Texas Instruments where his assignments included engineering, sales, marketing and management responsibilities.

Mr. Ozorkiewicz holds a B.S. degree in Engineering Management from the University of Missouri at Rolla. He is a Charter Member of the Society of Engineering Management and was elected a Founding Member of the Academy of Engineering Management.

Josh Napua

Executive Vice President, Wyle Laboratories Computer Products Division(CPD)

Mr. Napua joined Wyle Laboratories in 1978. In his many years at Wyle Mr. Napua has served as; Vice President of Operations and Executive Vice President of Marketing for Semiconductors, Passive Components, Application Specific Integrated Circuits and Computer Products.

Presently Mr. Napua is the Executive Vice President of Computer Products. He has held this title since 1988 and is responsible for all sales and marketing in the Computer Products Division.

He came to Wyle from Hewlett-Packard where he had been the Director of Distribution for Components since 1974. Prior to that he was with RCA Computer Systems as their District Sales Manager in San Francisco.

Mr. Napua holds an MBA from Stanford University and a BSEE from the University of Denver.