

2-2

Printed by Russ Gullotti @CORE

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

Doc. No: 010347  
Date: 18-Jan-1993 04:16pm EST  
From: FRANK BROWN @MKO  
BROWN.FRANK AT A1 at CGHUB at

MKO

Dept: USCM  
Tel No: 264-5177

TO: Bill Johnson @CORE  
CC: Russ Gullotti @CORE  
CC: Dick Poulsen @GEO  
CC: Bobby Choonavala @CORE  
CC: Ray Schavone @AKO  
CC: Laura Persily @MRO  
CC: George Eifler @UNT  
CC: George Eifler @GEO  
CC: Pat Spratt @CORE  
CC: \*\_memit::oconnell AT A1 at CGHUB at MKO

*a - I need a  
1 or 1 with Frank  
Brown - (Frank)  
might want to attend  
(1) DPP plan  
(2) Him vs Spratt roles  
(3) pros/cons of DPP in  
July.*

Subject: RESPONSE TO YOUR MAIL OF 1/12/93 - RE: DPP

Bill, I would add a second perspective to your comment about slippage in the implementation schedule. Most of the planning work relative to the content and timing of introducing subsequent business practice phases is meeting the schedule as planned. Further, the proposal and its rationale is agreed to by the team members. What is very clear and causing slippage is that there is no agreement from geography to geography on what the basic channel and market strategies are for these products and what the proposed business practices were intended to support.

*(How  
within  
2 weeks?)*

Without agreement on the strategy, it is impossible to gain consensus on a implementation specific. The business practices appear to be determining or setting strategy as opposed to supporting one. They are "guilty" of trying to implement changes that everyone says they want and need, but "not now".

The current alternative proposal to delay until "July" has several significant impacts.

1. The real date then becomes September when the new Flamingo and Sandpiper are announced.
2. We will will not be able to profitably reach the price points necessary to make a "statement" to the market and may forgo a <5k price point and a <10K price point due to profitability.
3. We miss the opportunity to deliver a comprehensive marketing message to our customers, partners, and sales on how we want to do business with this class of products. We will say we are doing this and then change it 90 days later.
4. We delay once again the opportunity to make a major shift to indirect sales with a product set ideally suited for the move.

5. We compromise numerous aspects of the overall business plan for the product set including the FRS channel mix, price positioning, and business plan (sales costs).

These issues are not DPP issues but basic business and marketing strategy issues on how we will approach the market. Until these are clear, we will continue to have slips and disagreements relative to changing business practices which assume a strategy that isn't agreed to.

Regards,

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

Date: 12-Jan-1993 08:50am EST  
From: Bill Johnson  
JOHNSON.BILL AT A1 at CORA @ C

ORE

Dept: Corporate Marketing Planning  
Tel No: 223-3982

TO: BOBBY CHOONAVALA  
EO)

( CHOONAVALA.BOBBI AT A1 at CORA @ COR

CC: Russ Gullotti @CORE  
CC: Dick Poulsen @GEO  
CC: Pat Spratt @TTB  
CC: Frank Brown @MKO

( GULLOTTI.RUSS AT A1 at CORA @ CORE )

Subject: RE: DPP  
Subject:

Bobby,

This has been driven by Frank Brown, who is in the US. I have asked Pat Spratt to pick up responsibility for this program. I certainly think we should move forward on all products (new and old) to implement in July. I want each area to ensure they have a plan to implement this and have it as part of their FY94 plan. This is not a change to the plan of record except for slips in the implementation schedules.

Dick, When will you be in the US?

Regards,

BJ

/km

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

Date: 11-Jan-1993 02:46am EST  
From: BOBBY CHOONAVALA @HGO  
BOBBY CHOONAVALA AT A1 at HGOV  
Dept: ASIA FIELD OPERATIONS  
Tel No: DTN: 662-4328 IDD: 852-805-43  
Tel No:

05 at HGO

28

TO: bill johnson @core  
CC: russ gullotti @core  
CC: dick poulsen @geo

Subject: dpp

THIS IS FROM BOBBY CHOONAVALA

BJ, I believe your office is responsible for DPP. Whilst we have postponed DPP implementation for the next set of products, I see memos suggesting we do all products in July 1993. Before we make this leap, it would be wise to understand what benefits have accrued to us by way of the products already under DPP. Additionally I had heard or read of a question from Bob on the level of discounts we give to our partners with DPP. Has this been addressed anywhere?

Should we discuss this among yourself and the three Area mgrs when Dick is next in Maynard?

regards

p.s.judie, put Peter Hussey on bcc on this memo.

old

new

DIST

100

- 30%

70

- 20

90

VAR

100

~~228%~~

85%

↓ - 15

→ 100

Printed by Laura Persily @MRO

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

Doc. No: 015663  
Date: 15-Jan-1993 11:46am EST  
From: Laura Persily @MRO  
PERSILY.LAURA  
Dept: U.S. Sales Operations  
Tel No: 467-4106

TO: Remote Addressee ( russ gullotti @mro ) ✓  
CC: Remote Addressee ( bob nealon @mro )  
CC: Remote Addressee ( tony wallace @mro )  
CC: Remote Addressee ( rose ann giordano @mro )

Subject: I: Digital Pricing Program Briefing

The specific date on which Bill Johnson will bring up discussion of the next phase of the Digital Pricing Program at the Executive Committee has not been established. His office has indicated that he is waiting for an opportunity when Dick Poulsen will be in town. There is a possibility that BJ will initiate discussion of the topic at the meeting informally (i.e. not on the agenda).

With that in mind, and taking into account Andrea's feedback on your calendar, I've attached a briefing package for your review. If, after you have had a chance to look at the package, you would still like to meet with Bob Nealon, Tony Wallace, and Rose Ann Giordano, please have Andrea contact me with a time which would be convenient for you. *Attached OK or is amty needed?*

From a Workstation perspective, the worldwide team is very close to consensus. Our remaining step in the U.S. is to test with customers whether they prefer older products to be offered under the DBA until displaced or whether their preference is to have all Desktop products available under new business terms. There are advantages to each and we need customer feedback to help us decide. The process to collect this feedback has been initiated.

In either case, we need your support with the Executive Committee to assure that the dependencies identified on page 7 of the Workstation proposal are addressed, in order to realize the desired objectives of the new business practices'. The conservative financial analysis of the U.S. position is a function of concerns regarding the readiness to address these dependencies.

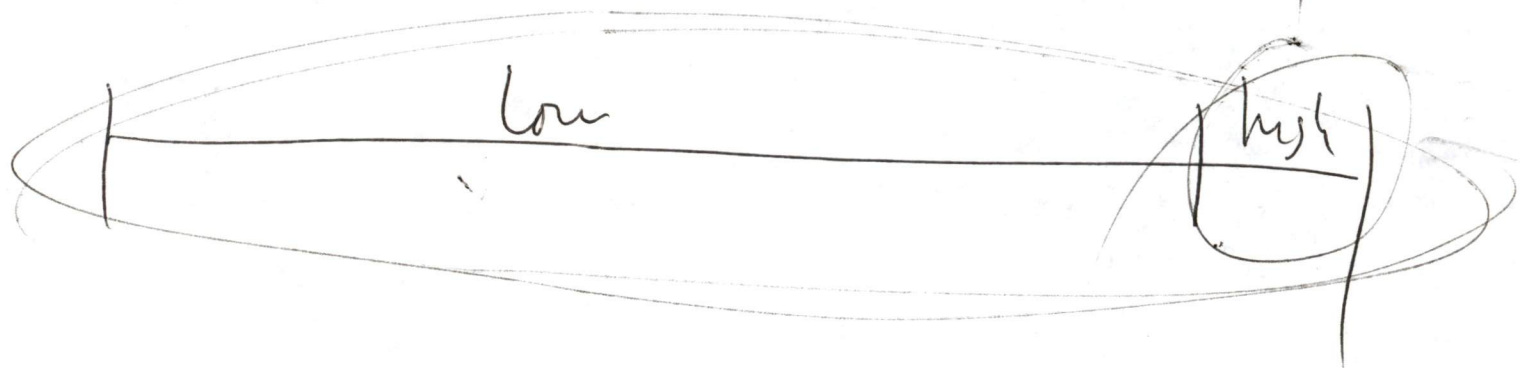
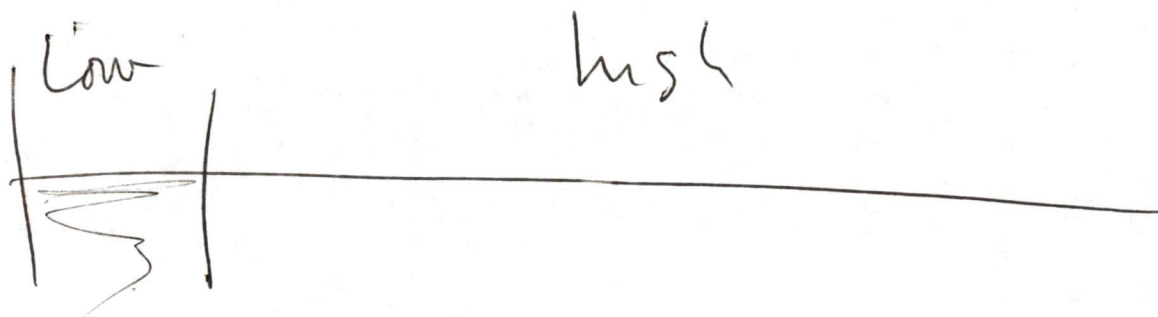
Attachments:

1. Draft of Workstation new business practice proposal.  
(Dated Jan. 13)
2. Worldwide Business Impact of Workstation Options as of Dec. 21.  
(Currently being updated.)
3. Detailed U.S. DPP Impact on Workstations in support of Dec. 21.
4. Preliminary Proposal for new business practices for Systems and Software.

~~rep - certs~~

Acct Mgr

total GM \$ into acct







# *New Business Practices for Digital*

Worldwide proposal for Workstations

full  
DPP

**This is a draft document for team  
review only: do not distribute.**

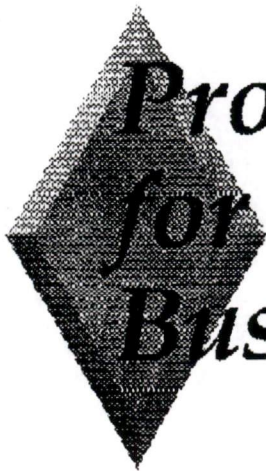


# Problem Statement: Workstations

- ◆ **Our current business practices in the workstation marketplace are not supportive of today's customer buying behavior and of future growth**
  - ... *becoming price-driven commodity market*
  - ... *resellers primary channel to market*
  - ... *48% of workstation business delivered through indirect channels (40% VAR) in 1991\**
  - ... *56% projected through indirect channels by 1996\**
- ◆ **We do not fully utilize Business Partners**
  - ... *broad-based discounting restricts channels ability to make money with our products*
  - ... *only 30% of workstation business through VARs in 1991\* (53% SUN; 46% HP)*
- ◆ **Our practices impact access to new accounts and opportunities necessary to increase marketshare**
  - ... *<10% marketshare today, with 25% goal by 1995*
  - ... *Digital's share of indirect ISS business 5% \*\**

\*Source: IDC

\*\*Source: Infocorp



# Proposed Plan of Record for Workstations Business Practices

- ◆ **Change business practices for workstation and related server products to meet competitive market conditions**

*implement coincident with new Alpha product introductions*

- ◆ **Position as indirect channels product set**

*... business goal: 65% indirect at FCS*  
*... reseller base discount plus adders ~20-30%*

*- this only makes sense if it is going to customers where we are not present. otherwise it costs us profit.*

- ◆ **Competitively list price workstations (qty. one) and make non-discountable under current end-user DBA volume discount schedule**

- ◆ **Provide end user discount advice for project commitments to units or dollars**

*... unpublished curve (~3 12%)*

*... allow geography flexibility in setting curve entry point*

*? what does this mean?*

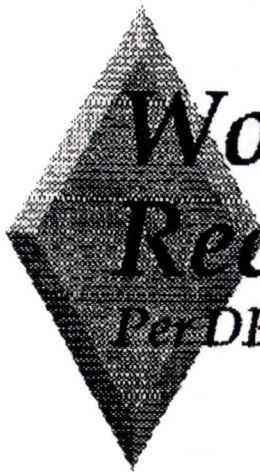


# Workstation Project Pricing (Proposed)

*in same order or over a period of time?*

*how can we do dollars? need to know configuration.*

<u>%</u>	<u>Units</u>	<u>Dollars</u>
3	50	750
5	75	1000
7	100	1750
8	200	2500
9	300	3500
10	500	6000
11	750	10000
12	1500	20000+



# Workstation Recommendation

Per DPP Core Team Meeting 11/25, 1992

- ◆ Implement plan of record (with modifications as appropriate) for new Alpha desktop products at time of product announcement 4/20 (*Jensen, Pelican, Pelica products*)
- ◆ Implement one of the following options for existing workstation products (*DECstation, DECsystem, VAXstation, MicroVAX products*)
  - OPTION A
    - Adjust prices/reseller discounts on existing workstation products to protect product parity and revenue stream
    - Don't implement plan of record on existing products ?
    - Implement plan of record on future Alpha products/replacements when introduced
  - OPTION B
    - Adjust prices/reseller discounts on existing workstation products to protect product parity and revenue stream
    - Implement plan of record on all existing workstation products 7/1

*These options need to be explained to me.*



# *Revised Workstation Recommendation*

*Per DPP Core Team Meeting 1/12, 1993*

- ◆ **Implement new practices (per plan of record) with introduction of new Alpha workstation products**
  - *begin with intro of Jensen, Pelican, Pelica products (currently scheduled for 4/20)*
  
- ◆ **Implement practices on remaining products no later than end of Q1**
  - *align with introduction of Sandpiper and Flamingo upgrades if possible*



# Dependencies

*- explain the dependency to me we already know the products (?).*

- ◆ **Clear corporate desktop strategy**
  - product strategy for FY94, integrated with PC plan

- ◆ **Geography management commitments**
  - rules of engagement in place
  - compensation structure consistent with plans
  - channels ready to support business plans

*Sales comp? Distributor VAR comp?*

- ◆ **Marketing effort to maximize benefits of change**
  - promotional plan with funding
  - support for communication plan

*are there other existing customers?*



# Critical Milestones

- ◆ Exit design phase of proposal 12/21
- ◆ Provide testing package to geography teams 12/30
  - pricing and product introduction strategy
- ◆ Begin testing with countries, BP's, AGM's, accounts 1/6
- ◆ Pricing to geographies (proposed) 1/12
- ◆ Initiate briefing/recruitment of large w/s BP's 1/15
- ◆ Preliminary financial analysis 1/21
- ◆ Complete testing 1/21
- ◆ Freeze pricing approach and product strategy 1/28
- ◆ Readiness review 2/4
- ◆ MLP's submitted for review and audit 2/16
- ◆ Final MLP's due 2/26
- ◆ Copy to Sales Update 3/2
- ◆ Pricing to US catalogue 3/18
- ◆ Training/briefing materials to geographies TBD\*
- ◆ Initiate PR effort on approach for upcoming products TBD\*
- ◆ Begin sales training TBD\*
- ◆ Begin briefing TBD\*
  - business partners and large accounts
- ◆ Publish Sales Update TBD\*
- ◆ Announce products 4/20

*\*Business practice roll-out part of product announcement activities*

**digital**

**Company Confidential**





# Business Impact of Workstation Options

*If we lose money - why are we doing this?*

	<b>Option A :</b> • All future w/s • New products 4/20 • Leave current w/s as is	<b>Option B :</b> • New products 4/20; • Others after 7/1	<b>Option C :</b> • All products 4/20
<b>Q4 '93</b>			
EUR	- <b>\$12M</b> @MLP • 20% lost sales time explain change negotiate contracts • time to prepare & train	- <b>\$12M</b> @MLP Same as A	- <b>\$36M</b> @MLP • 20% lost sales time extended across entire w/s base
GIA	- <b>\$1M</b> @NOR • Lost productivity; • still implementing phase 1; • admin system (\$1M) installation	- <b>\$1M</b> @NOR Same as A	- <b>\$4M</b> @NOR • lost productivity across entire w/s base • delayed decisions
US	- <b>\$1M</b> @NOR • Intro Jensen (NT) PC by DEC terms; • small volumes for Pelica	- <b>\$1M</b> @NOR Same as A	- <b>\$6.5M</b> @NOR • Lost sales time across entire w/s base • suspended business
<b>FY94</b>			
EUR	- <b>\$25-30M</b> @MLP • Hastened end of life for existing products	+ <b>\$20M</b> @MLP • Faster migration to Alpha • Shift to channels • Increase software availability	+ <b>\$20M</b> @MLP • Same as B
GIA	- <b>\$5-10M</b> @NOR • Hastened end of life for existing products	- <b>\$2-3M</b> NOR • Disruption to business; potential to recover	- <b>\$2-3M</b> NOR • Same as B
US	- <b>\$2M</b> @NOR • Non-disruptive to existing business; • increased Pelican channel's business • BP strategy unclear	- <b>\$8M</b> @NOR • Disrupts existing product business to renegotiate contracts • BP strategy unclear	- <b>\$8M</b> @NOR • Same as B

## US Product Operations

# DPP Impact on Workstations

	FY93 Base Case			DPP Implementation			FY93 Delta	FY94 Base Case			DPP Implementation			FY94 Delta	Total FY93 & FY94
	Units	MLP \$	NOR \$	Units	MLP \$	NOR \$		Units	MLP \$	NOR \$	Units	MLP \$	NOR \$		
<b>Option A:</b>															
Jensen VMS	350	6.20	4.40	350	5.58	4.41	0.01	2800	50.00	35.50	2800	50.00	35.50	0.00	
Jensen NT	2500	25.00	17.50	2500	25.00	17.50	0.00	48000	276.00	193.20	48000	276.00	193.20	0.00	
Pelican	1000	14.00	9.20	1130	13.29	10.37	1.17	13660	191.30	125.68	14343	168.73	131.61	5.92	
Sandpiper	1760	44.00	28.90	1672	41.80	27.46	-1.44	7755	194.20	127.59	7638.68	160.68	125.33	-2.26	
Flamingo	665	30.00	19.70	631.75	28.50	18.72	-0.98	3680	165.60	108.80	3624.8	137.02	106.87	-1.93	
VAXstations	2300	38.10	25.10	2300	38.10	25.10	0.00	3470	52.40	34.43	3470	52.40	34.43	0.00	
RISCstations	1650	26.80	14.20	1650	26.80	14.20	0.00	5700	80.40	42.61	5700	80.40	42.61	0.00	
MV3100	<u>2475</u>	<u>52.70</u>	<u>43.37</u>	<u>2475</u>	<u>52.70</u>	<u>43.37</u>	<u>0.00</u>	<u>7640</u>	<u>155.10</u>	<u>127.65</u>	<u>7640</u>	<u>155.10</u>	<u>127.65</u>	<u>0.00</u>	
<b>Total Option A</b>	12700	236.8	162.372	12708.8	231.769	161.133	-1.24	92705	1165	795.459	93216.5	1080.33	797.198	1.74	0.50
<b>Option B:</b>															
Jensen VMS	350	6.20	4.40	350	5.58	4.41	0.01	2800	50.00	35.50	2800	50.00	35.50	0.00	
Jensen NT	2500	25.00	17.50	2500	25.00	17.50	0.00	48000	276.00	193.20	48000	276.00	193.20	0.00	
Pelican	1000	14.00	9.20	1130	13.29	10.37	1.17	13660	191.30	125.68	14343	168.73	131.61	5.92	
Sandpiper	1760	44.00	28.90	1672	41.80	27.46	-1.44	7755	194.20	127.59	7638.68	160.68	125.33	-2.26	
Flamingo	665	30.00	19.70	631.75	28.50	18.72	-0.98	3680	165.60	108.80	3624.8	137.02	106.87	-1.93	
VAXstations	2300	38.10	25.10	2300	38.10	25.10	0.00	3470	52.40	34.43	3123	40.09	31.27	-3.16	
RISCstations	1650	26.80	14.20	1650	26.80	14.20	0.00	5700	80.40	42.61	5130	49.20	38.38	-4.23	
MV3100	<u>2475</u>	<u>52.70</u>	<u>43.37</u>	<u>2475</u>	<u>52.70</u>	<u>43.37</u>	<u>0.00</u>	<u>7640</u>	<u>155.10</u>	<u>127.65</u>	<u>7487.2</u>	<u>144.40</u>	<u>124.90</u>	<u>-2.74</u>	
<b>Total Option B</b>	12700	236.8	162.372	12708.8	231.769	161.133	-1.24	92705	1165	795.459	92146.7	1026.11	787.063	-8.40	-9.64
<b>Option C:</b>															
Jensen VMS	350	6.20	4.40	350	5.58	4.41	0.01	2800	50.00	35.50	2800	50.00	35.50	0.00	
Jensen NT	2500	25.00	17.50	2500	25.00	17.50	0.00	48000	276.00	193.20	48000	276.00	193.20	0.00	
Pelican	1000	14.00	9.20	1130	13.29	10.37	1.17	13660	191.30	125.68	14343	168.73	131.61	5.92	
Sandpiper	1760	44.00	28.90	1584	33.26	25.95	-2.95	7755	194.20	127.59	7638.68	160.68	125.33	-2.26	
Flamingo	665	30.00	19.70	599	22.68	17.69	-2.01	3680	165.60	108.80	3624.8	137.02	106.87	-1.93	
VAXstations	2300	38.10	25.10	2185	30.77	24.00	-1.10	3470	52.40	34.43	3123	40.09	31.27	-3.16	
RISCstations	1650	26.80	14.20	1567.5	17.31	13.50	-0.70	5700	80.40	42.61	5130	49.20	38.38	-4.23	
MV3100	<u>2475</u>	<u>52.70</u>	<u>43.37</u>	<u>2425.5</u>	<u>49.06</u>	<u>42.44</u>	<u>-0.93</u>	<u>7640</u>	<u>155.10</u>	<u>127.65</u>	<u>7487.2</u>	<u>144.40</u>	<u>124.90</u>	<u>-2.74</u>	
<b>Total Option C</b>	12700	236.8	162.372	12340.5	196.955	155.851	-6.52	92705	1165	795.459	92146.7	1026.11	787.063	-8.40	-14.92

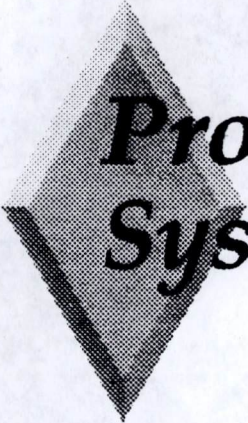
*how determined?*



# *New Business Practices for Digital*

Worldwide proposal for Systems and Software

**This is a draft document for team  
review only: do not distribute.**



# **Problem Statement: Systems & Software**

- ◆ **Digital's current business practices are not supportive of competitive marketplace and increasingly complex customer relationships**
  - ... *reduced margins as systems compete more and more with "commodity" alternatives*
  
- ◆ **Marketshare eroding and indirect business declining**
  - ... *may not be competitive enough at list price*
  - ... *discount curve limits business outside of large accounts*
  - ... *not competitively incenting business partners*
  - ... *practices contribute to channel conflict*
  
- ◆ **Practices inhibit profitable management of large, complex accounts**
  - ... *we don't ask customers for commitments to future business*
  - ... *discounts today not based on economics of varying account coverage costs*
  - ... *end user and reseller aggregation doesn't address different business models*

# Proposed Plan of Record for Systems & Software Business Practices

(Software follows same model as systems)

- ◆ **More competitively list price system products to increase new business opportunities**

- ... assume less "value add" in list price

- ... revise end user discount curve to create faster ramp

} explain?

- ◆ **Revise reseller discounts with more competitive margins to increase indirect business**

- ... implement value-added discount model

- ... implement incentives (finders fees, new account adder)

} This will only work if we do not duplicate the selling effort with our direct channels!

- ◆ **Revise end user discount approach to retain margin in large accounts**

- ... implement unpublished, shallower curve with a reduced discount range and a volume cap @\$20M

} explain

- ... focus negotiation with customer on future business commitments and account support costs

- ... base discount on revenue, not list, and separate end user & reseller business (eliminate cross-aggregation)



# *Systems Recommendation*

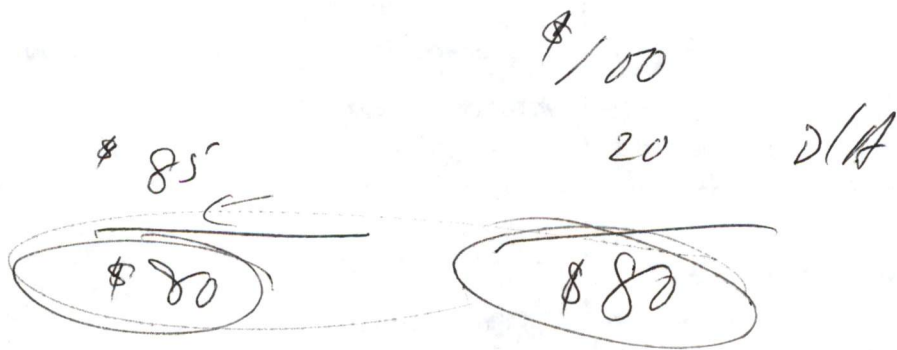
- ◆ Implement new practices with introduction of new Alpha systems in Q1 timeframe

*<details of implementation recommendation to be completed by team 1/21>*

# DPP Worldwide Team

<b>Program Manager</b>		<b>Frank Brown</b>	
<b>Secretary</b>		<b>Lorraine DeRose</b>	
<b>Geography Managers</b> <b>U.S. Area</b> U.S. Pricing Drivers  Admin IT Manager DMO Marketing & Field Support  <b>GIA Area</b> GIA Pricing Driver Admin  <b>Europe Area</b>  Europe Pricing Driver Admin		<b>Laura Persily</b> Jane Heaney/ Lori Hausmann Darilyn Tervo Peter Oschner Don Kingsberry Ted Wilson  <b>Ray Schavone</b> Pam Ferguson Dick Csapler  <b>George Eifler</b> (Doug Smith) Philip Flynn Helen Ayres	<b>Business Practices Manager</b> <b>Pat Spratt</b>  <b>Channels Manager</b> <b>Open</b> U.S. Driver      Mary Schoonmaker GIA Driver      Ray Schavone Europe Driver      Diane Fraiman
		<b>Communication Manager</b> <b>Karen Davis</b> Training Driver      Steve Marshall U.S. Comm Driver      Karen Davis GIA Comm Driver      Maureen Kenney Europe Comm Driver      Rolf-Espen Olsen	
<b>Software</b>  <b>VIPS</b>  <b>LENAC</b>  <b>Mass Storage</b>  <b>NAC</b>  <b>PCs</b>  <b>Workstations</b>  <b>Systems</b>  <b>Services &amp; Consulting Manager</b> U.S. Driver GIA Driver Europe Driver		<b>Carolyn Dicenzo</b>  <b>Roy McCall</b>  <b>Dan Demmer</b>  <b>TBD</b>  <b>Cathy Hatfield</b>  <b>Karen McIntosh</b>  <b>Jim Becker/</b> <b>Joan Gray</b>  <b>Steve Blanchette</b>  <b>Fran Souva</b> TBD Tom Schorjan Kari Tuovinen	<b>Finance Manager</b> <b>Karen Schlamp</b> U.S. Driver      Paul Machunski GIA Driver      Pam Ferguson Europe Driver      George Cierans
		<b>Adm/Contracts/Policies Manager</b> <b>Michael McCarthy</b> <b>Corporate Price File Manager</b> <b>Dave Morgan</b>	
		<b>Legal Manager</b> <b>Dick Smith</b> U.S.      Dick Smith GIA      Mike Borland Europe      Greg Maloblocki	

**Boldface** Indicates Core Management Team  
**Boldface/Italic** Indicates Extended Core Team



Margin %

\$ Margin