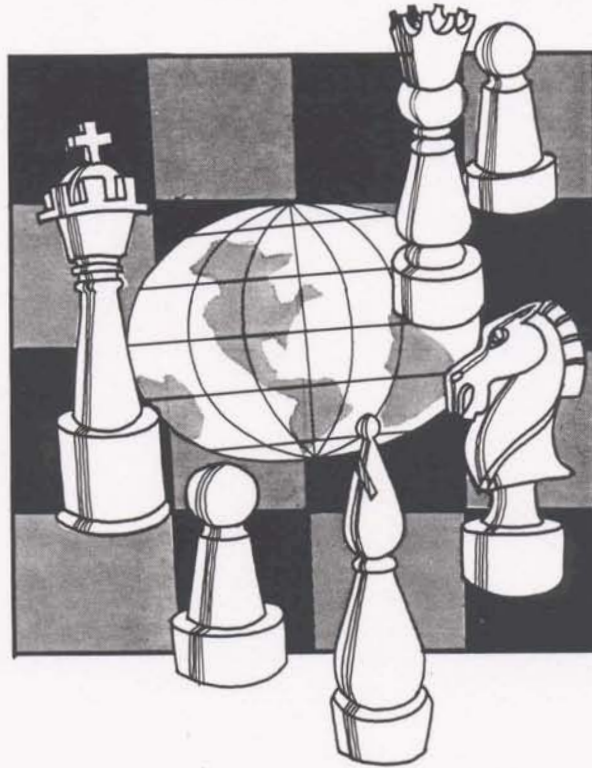


July/August 1987

SPECTRUM

FOR THE EMPLOYEES OF GE INFORMATION SERVICES COMPANY

TURNING THE CORNER: A LOOK TO THE FUTURE



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EAST-FAK

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INFORMATION
SERVICES

cover story

TURNING THE CORNER: A LOOK TO THE FUTURE

Barry Clarke, who heads the Business Planning and Marketing Research team within Business Planning and Development, talked with SPECTRUM recently about what his team's market research tells us about market position and future directions for GE Information Services. Here are some of the things that Barry Clarke had to say.

Q: Strategy development often starts from considering the past. What are the important considerations from recent history?

A: Perhaps the most important lesson to be learned from recent history is the volatile nature of our business. Applications we are serving today may be served in different ways tomorrow. We learned that from the collapse of the timesharing industry, which took a toll on this company and from which we are just now recovering.

But what is more important than history is the current state, the state of the market, the supply, the environment, and the business.

Today we are delivering 25% more resources than in 1982 when timesharing revenue peaked. We are serving fewer clients with more complex and much larger scale applications. We are seen by these clients as a cost effective service provider.

We have a strong technology base, an excellent client base and access to market, and a worldwide presence. We are firmly the number one provider of global network based application service. We have a winning combination.

Q: What is happening to our competition?

A: The services that GE Information Services provides have changed significantly over the past five years. During this period we have seen the total demise of timesharing, which took its toll on the industry. Those of our competitors who survived, such



as Comshare, UCCEL, and Boeing, have changed focus and are no longer our competition.

GE Information Services, on the other hand, became an early entrant into network services in inter-enterprise, international banking, and custom system design. These markets today are undergoing rapid change—change that will have dramatic impact on our business strategies for the near and long term.

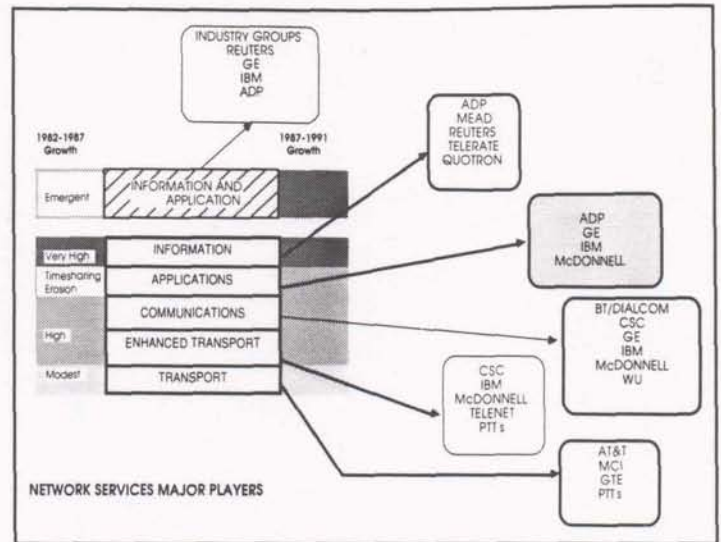
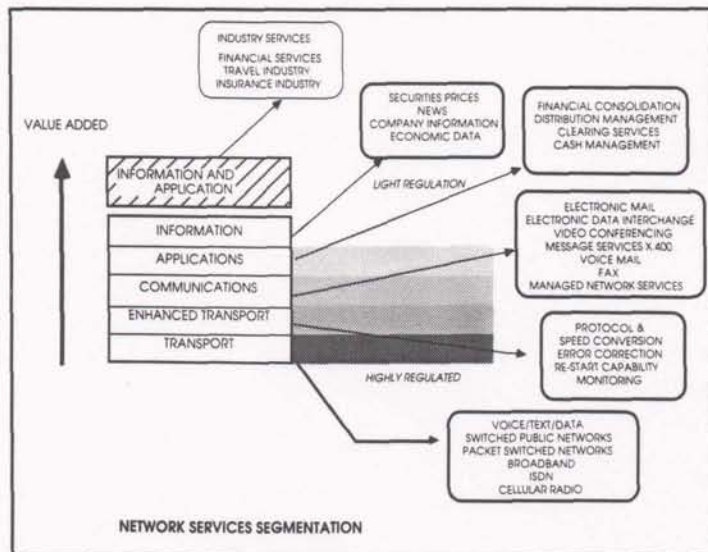
The most significant happening today is the entrance of IBM into the network services market. They are bringing enormous resources to build up capabilities we already have in place. In the very near future IBM will be a direct competitor in what they call extended enterprise, that is, the EDI and value added markets.

In the banking area, one of our strongest markets, Reuters will soon become a major force. With 127,000 terminals and revenue of \$1 billion, they offer information data bases to their clients and will soon extend to providing applications services, in direct competition with the services we offer.

The entrance of powerful competitors will make it easier for us to define our market. Back in the timesharing days this was relatively easy to do. All of us in the business were knocking on the same doors, selling very similar services. We benchmarked each other's prices, measured each other's market shares. Without that kind of clear definition, market position is more difficult to assess.

But this will soon change. The advent of IBM and other large scale competitors will bring some definition to the market. To understand who will be the major players as the network services market takes shape, it is useful to look at the market in terms of enhancements or value added to pure data transport. The chart below shows the boundaries of today's business.

The chart at the right shows who we see as the major players in the network services arena over the next five years and the market segments they are likely to



dominate. You will see that we will be going head to head with IBM in our two major segments: applications and communications. Life for GE Information Services is going to be very competitive.

Q: Are you saying that competition will be good for us?

A: Competition will be fantastic for us. Today we have to convince the customer that the service solution is viable. It's a buy or make decision—either the client buys from us or he buys the components and makes his own solution. The whole competitive structure has been making versus buying. This is indirect competition. Direct competition brings definition and credibility.

Q: What factors are most likely to have impact on the direction of the market over the next five years?

A: In the next five years, we shall be faced with a rapidly changing regulatory environment, a change in buying style, a change in supplier response, and a return to high growth in our market sector. We will be challenged to respond to and manage change as never before; the difference this time is that success will lead to high growth rather than maintaining the status quo positioning as we did during the transitioning.

Q: How is the regulatory environment likely to change?

A: In the past, technology has progressed at a rapid rate and regulations have not kept pace. We are today seeing less and less influence from regulatory constraints and the innovative supplier can make attractive new services available. Regulations will, however,

continue to determine the boundaries of the business for the foreseeable future and our challenge is to both influence and understand change.

Q: When you talk about a change in buying style, what do you mean?

A: Systems integration is the new hot buzzword. As opposed to making the complex solution by buying all the component parts, systems integration means buying a total solution from a vendor such as ourselves. The U.S. federal market has changed its buying style completely. Most new systems delivered to the government are total integrated solutions. It is the wave of the future in communications and most major hardware vendors are gearing up to ride that wave.

A change in buying style, and, on the supply side, more capacity to deliver through the entrance of new competition into the market could double our served market overnight. Today we are a \$3.7 billion market for network based services in a world with total expenditures on equipment, people, and services of \$494 billion. Our served market, then, can be very sensitive to a change in buying style.

Q: How will we be approaching change?

A: The company today is in a state of transition. The focus of corporate leadership is to bring us through this transition, managing costs, keeping us profitable as we look for new areas of focus. We have to build up resources to support new areas and we have to take resources from areas of current focus that are not profitable and where it will be difficult to be the leading supplier.

For example, we have ceased to play in the payment service arena in which we had a very low market share. At the same time we have invested very heavily in managed network service which is an area in which we believe we can play and be profitable. It's a matter of optimization of resources.

We have broadened our mission statement and we have corporate concurrence with this mission. GE Information Services is viewed by corporate as having very considerable upside potential.

MISSION STATEMENT

Establish and maintain a profitable, strong, and growing worldwide market position in the principle data processing information services markets as a provider of services integrating computers, communications, and software to solve business problems

Q: How will we realize this potential?

A: That's the key question. Management has spent much time and energy looking at creative ways to make a quantum leap.

The overriding consideration is that it is the user, not the supplier, who is now determining the pace of adopting new applications. The overwhelming challenge for major corporations is the need to link their disparate computer systems, including personal computers, into comprehensive integrated networks to solve business problems. Top management of many companies now perceive that advanced information systems, if properly managed, can be used to strategic competitive advantage.

Computers are being transformed from their traditional role of background support to systems whose role is to increase the productivity, flexibility, and responsiveness of individuals, work groups, and entire organizations. The heart of the systems will be a new era of heavily networked, highly distributed, highly intelligent applications operated by individual end users rather than by data processing professionals—exactly GE Information Services' forte.

Strategically the end user is king and our technology and application developments will concentrate on ease of use. If the user is king, there is a need to deliver customized applications. We shall be establishing a very strong systems engineering organization that will deliver the new era of customized network based application solutions for our clients. These applications will typically be very complex, integrated with in-house operations, and will incorporate many of our standardized services such as electronic mail and data exchange.

The new generation of applications will be very large scale and new cost effective methods of delivery will be required. Clients will be provided with managed networks, custom built to their requirements, and we shall increase our integration capabilities by providing hardware on the client's site or managed on their behalf in our centers. Plans are well advanced to make MARK III® Service available for use on site. We expect the new applications to be in the \$2 to \$20 million per year range.

Q: Where do you see the focus of this new activity?

A: Investment will be increased considerably in developing applications and markets for banking and financial services. We expect to gain considerable ground in moving services toward front offices and dealing rooms, building on our strengths in the back office applications. We have a leading position as the application provider to the international wholesale and

