



# réalités

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## Phase-1 of reinvestment plan completed

As someone who worked at GE Information Services in the early '80s and lived through the pain of those difficult years, Jim McNerney recognizes that reinvesting in a business isn't always possible.

"We were just trying to keep our head above water back then," McNerney said recently. "But thanks to the hard work of a lot of good people, we've turned this business around, and the Company has recognized that. Gene Murphy and the CEO are giving us a real chance to grow the business by using a portion of our income to competitively position GEIS for the future."

The GEIS Staff has identified three key



areas for the business to reinvest a total of \$6 million in: a next-generation technology platform, new product offerings, and industry marketing.

What gives this story an interesting twist is, responsibility for helping to determine the allocation of millions of dollars in investment monies for U.S. industry marketing has been given to GEIS Industry Focus Groups.

During the first half of 1989, industry focus managers in the U.S. were charged with exploring their

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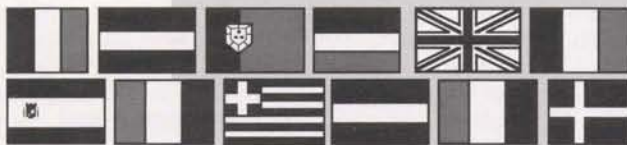
### European telecoms' deregulation causes GEIS to rethink its position

For the better part of two decades, GE Information Services has thrived on the complexities of Europe. As one of the few single-source businesses capable of making applications possible on a European and global basis, GEIS has been able to establish itself as the worldwide leader in network business in Europe. However, the world is changing. And Europe is undergoing radical change.

Giuliano Venturi, vice president of GEIS European Sales and Services, says in addition to the structural changes taking place in Europe, the deregulation of European telecommunications will, in all likelihood, diminish GEIS' competitive edge on that continent.

"The value we bring to a European client goes well beyond providing the processing and network resources that allow an application to take place," said Venturi. "The

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*Europe*  
1992

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## GEIS/STET alliance announced at press conference

*Editor's note: The following are highlights of Jim McNerney's remarks at a recent press conference held in Milan to discuss the joint venture between GEIS and STET.*

- STET acquired a 40 percent interest in GE Information Services S.p.A., GEIS' subsidiary in Italy, for 28.9 billion lire, or about 21 million dollars.

- GEIS Italy has served the needs of Italian companies doing business on an international scale for more than 20 years. Principal industries benefiting from GEIS Italy are: banking and financial services, trade and transportation, insurance, automotive, chemical/pharmaceutical, retail and distribution.

- Benetton, Fininvest and COMET were identified as Italian businesses presently benefiting from the services of GEIS Italy. One of the examples given focused on a reduction in Benetton's order entry time which, thanks to GEIS Italy, has

gone from 10 days to just a few hours. It was also noted that since using GEIS Italy's services, Benetton's cash flow has improved by 30 percent and its inventories have dropped considerably.

- The combination of GEIS' world-class technology and STET's extensive knowledge of the Italian marketplace will enable the joint venture company to compete more effectively in the increasingly competitive Value Added Network Services market in Italy, and stimulate growth of that market.

- The scope of GEIS Italy's services will be expanded to a broader market. GEIS Italy will continue to play a leadership role in value added services, and at the same time, expand its role in providing basic services and products, particularly in EDI. As EDI becomes part of the business strategy of many European companies, it's expected that GEIS Italy will

expand its leadership position in EDI in Italy.

- The demand for VAN services is expected to grow rapidly throughout Europe as companies position themselves for a single European market in 1992. To better serve the Italian market, the agreement with STET calls for the establishment of a new data processing center in Italy. The center is projected to start-up within a couple of years.

- For STET, the alliance deepens its access to worldwide technological expertise and experience in providing VAN services.

- The Italian business community also benefits from this alliance since the joint venture can help to spur development of a technological infrastructure that will make Italian businesses more competitive. It is believed these advantages will reach beyond country borders for Italian businesses. 

### Financial Results

## Strong earnings despite a strong dollar

GE Information Services recorded strong earnings performance in May even though revenue was unfavorably impacted by the continued strengthening of the U.S. dollar.

Sales were 2 percent below Operating Plan as unfavorable exchange and slightly lower European volume were largely offset by strong gains in North American revenue. GEIS experienced a 3 percent increase in sales above the May 1988 total

as North American volume growth exceeded the unfavorable impact of exchange.

Net income for May was 1 percent above Plan, and 17 percent higher than the prior year. Increased volume and productivity gains more than offset higher inflation levels versus last year.

Funds generation for the month was well ahead of Plan, driven mainly by improved receivable collections, but was below the 1988 level as timing of tax and other disbursements more than offset higher collections.

### Quality Results

## Marketing scores a perfect 5.0 in May

Led by Marketing's perfect 5.0, GEIS' services quality score averaged out to a total grade of 4.94 for the month of May — well ahead of the 4.85 target.

Mark III registered another strong month, achieving a client satisfaction score of 4.97 while maintaining 100 percent availability.

Mark 3000's client satisfaction score of 4.75 showed improvement over its first-quarter

mark of 4.62, but is still below the 4.85 target. However, Mark 3000 availability registered an impressive 99.96 for the month.

Communications posted a pair of solid numbers in May, scoring 4.92 for its services quality and 99.92 for availability.

It should be noted that the three power outages experienced in Rockville within the last month had no impact on availability.



## THE NUMBERS

## CONNECT continues its international expansion

In an effort to further expand its international channels, CONNECT, Inc. has signed an agreement with Softsel Computer Products.

According to published reports, Softsel will be a major distributor of MacNET and PC/MacNET, CONNECT's communication software which allows users to access CONNECT's Professional Information Service.

Softsel Co-chairman Robert Leff said his company was pleased to be a distributor of CONNECT software because, "CONNECT has created a product which introduces a new generation of communication solutions..."

CONNECT's network is targeted at business

and professional users and possesses a transparent connecting protocol and high speed capabilities.

Softsel is one of the world's largest worldwide computer products distributors, serving almost 20,000 resellers across the globe. The agreement with CONNECT will add to the 3,500 products (both hardware and software) Softsel supplies from over 275 vendors.



## INDUSTRY BRIEFS

## DEREGULATION

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real value we bring to European clients is making the application possible. That, by itself, won't be such a neat trick for very much longer.

"As connectivity becomes a relatively easy process across the 12-nation European community, Europe will become very similar to the U.S., and our present competitive advantage will weaken. Unless we strengthen our industry expertise, and pull together as one team, we could see a significant change in our European competitive position very soon."

Venturi points out that deregulation is already permitting the use of Customer Premises Equipment and private networks.

"The quality level associated with the interconnection of national PDNs has been notoriously poor," he said. "But two factors should improve that situation.

"First of all, by the end of this year, all PDNs will be implementing international interconnection standards. This will make such interconnections more reliable. Secondly, three or four European backbone networks will be put in place soon with vendors providing one-source billing and support. Even the computer service firms are becoming pan-European.

"If we remain satisfied with the way we do business in Europe today, there's no question in my mind our competitive edge will erode over time."

So what's the answer? How can GEIS make the quantum leap necessary to improve its competitive stance in Europe?

"Technical superiority and distribution channel excellence are necessary," said Venturi, "but alone, they will not enable us to retain our number one position. Developing our expertise scale in the focus industries is the most critical item on our agenda.

"It's important that we produce a next generation of client orientation in Europe by adopt-

ing a broader, pan-European view. We can achieve this by listening better and giving customers more of what they want.

"Deregulation and the competitive changes that result from it will require us to reevaluate how we price our European offerings. Adopting an external perspective is necessary if we are to make the application possible in a way that's financially attractive to both parties."


Venturi says GEIS' proposals and pricing must be based on solid knowledge of industry and customer requirements, and foresees increasing use of transaction pricing and fixed-price arrangements to convey the value of GEIS services in market terms.

"Simplicity is key," he said. "Over the life of a project, a client's perception of the value of our services usually diminishes. Therefore, it is incumbent upon us to retain our revenue stream by increasing the value of our offerings. In other words, as the base account erodes, we must provide new benefits that clients recognize and want.

"All of this requires us to develop a much better customer orientation by staying close to the users. If we do this, our customers will recognize our expertise level and be willing to

*"We can't remain satisfied with the way we do business in Europe today."*

pay for the development and consultation required to serve them better. In this way, we can meet client expectations as well as our own.

"Obtaining compensation for our industry expertise could very well be the difference between winning and losing in the evolving European competitive environment." 

## McNerney to employees: "We've still got work to do"

Europe 1992. It's the classic double-edged sword.

"The thought of operating in an open European market is very appealing to a competitive business like ours," said Jim McNerney in a recent round table meeting with employees. "But there is also

a real threat we need to be concerned about. Open environments attract more competition—tougher competition. So while the game will be more accessible, it will also be tougher to win.

"No one should be comfortable with our position in Europe, no matter how strong it may appear at this point in time. We have some real work to do to strengthen our position there." (See related story on Page 1).

In the weeks following this

meeting, GE Information Services announced a joint venture agreement with STET in Italy. This alliance better positions GEIS to address the rapidly growing Italian marketplace and strengthens GEIS' overall presence in Europe. (For more information about the joint venture, see Page 2.)


### Industry focus

Commenting on the importance of industry focus, the president challenged employees to "adopt new perspectives" and change their "fundamental character" in daily business dealings.

"Earlier this year, John Sidgmore, Giuliano Venturi and I visited our U.S. sales force locations and walked away favorably impressed," said McNerney. "But we were also impressed by how far we still need to go.

"In markets like banking, trade-and-transportation, automotive and the others, we have a lot of work to do before we can provide additional value to those areas. In banking, for example, we have to start thinking like bankers, acting like bankers... Only then will we be able to deliver the expertise our clients are expecting from us on an increasing basis."

McNerney said GEIS' industry focus challenge is similar to 1992 in that it presents another opportunity/threat scenario. "Changing the way we do business is an exciting challenge," he said. "But if we don't, we're dead. And I mean that."

The president mentioned that he and selected members of his staff will take a similar tour of Europe sometime soon to assess the situation there. 



### ROUND TABLE

## REINVESTMENT

Continued from Page 1

respective markets and determining how GEIS can most effectively play in those markets. To do this, they established close working relationships with key personnel in both Systems Marketing and Product Development.

"The Industry Focus Groups addressed problems, sized up their markets and projected what it would take to achieve penetration," said McNerney. "Both the Staff and I were extremely pleased with the input we received. In fact, almost every request for funding was approved at the level requested."

With Phase-1 now finished, the industry focus groups are building their plans as part of Phase-2, which is scheduled for completion in the third quarter of this year. The actual implementation, which is Phase-3, will begin soon thereafter.

"These groups are helping us to define our U.S. industry marketing strategy," said McNerney. "Historically, management has developed plans for the business. We're mov-

ing away from that approach because we understand the benefits of receiving input from those closest to the action."

The same is true in the area of technology. In May, GEIS' Technology Task Force presented its preliminary report outlining what the next-generation technology platform would look like and the resources required to build it.

To support this reinvestment in technology, 15 new people will be added to the Technology group this year. These people will be strictly dedicated to further defining and building the new platform.

On the product development front, work is being done to provide the tools and capabilities required to develop new product applications. This area will be driven largely by the work done on the technology platform.

GEIS management will communicate more information about the investment plan as it progresses. 