

DATE June 8, 1973

CHARTER

(This should be the current charter of your product line as agreed to by the Operations Committee, if available; if not, put down what you think the charter of your product line should be. In future quarters this will not have to be changed unless you are requesting a change to your charter, and the change should be clearly identified.)

In defining the Charter of the group, we have taken account of the areas we have traditionally had success in and projected these into the future. In addition, we have taken account of the business the Corporation is primarily involved in and have determined a complementary role for the product line.

Fundamentally we are:

1. In the large computer systems business.
2. Providing immediate response on-line data processing systems, and
3. Providing networks of hierarchical computing systems.

Our objectives are:

1. To make DECsystem-10 Sales, Field Services and Software Support operations a profitable, long-term business.
2. To develop growth markets for the DECsystem-10 to take us to more than \$100M per annum.
3. To develop new products to maintain and enhance our market shares.
4. Wherever possible, to perform the above with a view to complementing our corporate minicomputer business and, thus, to enhance it.

Note: * means change from last input.

OBJECTIVES:

(Concisely list what you consider to be the key objectives of your product line for the next two years.)

1. Get us back to greater than 30% contribution.
2. Completion of KL10 program for first shipment in September, 1974.
3. Establish KA10 and KI10 traditional products as a profitable upgrade and refurbishment business.
4. Complete software unbundling and establish as identifiable and profitable business.
5. Establish strong and profitable systems capability particularly for the network business.
6. Complete development of Typeset-10 and make money at business.
7. Establish "10" as an OEM product.
- *8. Better return on assets controlled. (Not yet quantified).
- *9. Establish clear market leadership as number 1 in timesharing.

CONCERNS:

(List concisely any major concerns you have, for either internal or external, which may limit the achievement of your objectives.)

1. Space problems--very critical!
Engineering Space
Advanced Systems Manufacturing
Refurbishing Group.
KL10 Manufacturing
2. Introduction of KL10 and phase out of older products could seriously affect shipments and profits for six months.
3. Will typeset ever work? Can we sell such complex systems to inexperienced computer users?
4. Problems with managing software effort: product late, wrong, conflicts with product line.
5. Management weakness in systems and some marketing areas.
6. 10 sales effort being diluted
Management now has to manage 11/45's.
10 salesmen have budgets for 11/45 bookings.
Haven't yet learned to manage what they have.
7. Rental program--essential for government funded business outside of scientific area.
- *8. Potential low-end competition from DG, Interdata, etc.
- *9. Potential recession.
- *1. Still a major problem
- *2-7. Progress being made although concerns remain.

DATE June 8, 1973MARKET PLAN

(The objective of this plan is to communicate your market strategies to be used over the next 2 years which would be given to sales and advertising departments as a as a guide of your objectives.)

COMPETITION:

(Who is your competition, and what do you expect them to do over the next two years?)

Xerox is now probably our toughest competition again. Their product now works very well. It is better in some areas. They are using a wider sales force and are becoming very aggressive again including pricing. IBM is everywhere. Expect that they may get better at networks and typesetting. This will affect our competitiveness. CDC and Burroughs are hard to replace; otherwise, we can cope with this competition on the low price end, and with T/S. Honeywell Univac CDC NCR Burroughs *Additional potential PRICING: problem on low end from DG, Interdata, etc.

(What changes in pricing are you planning?)

In FY75 KL10 will cause major price changes downwards for existing products. Software will be identified even more and will constitute a bigger percentage of the customers' dollars to us--up to 20% in some cases.

*Now expect that price reductions will be needed in Q3 and Q4. Have budgeted a 4% reduction for those quarters. Necessity will depend on economy and competition at that time.

SELLING:

(What are your general objectives in using the sales force? Are you expecting increased yields? fewer salesmen? or any other brief description of what direction you expect to give to the sales force.)

Growing sales force to 100 specialists by KL10 introduction, nearly 70 now... was 45 at end of last year.

11/45 sales effort being mixed in. Hope to take advantage of this in 1½ yrs. Emphasizing lower price systems \$400K to \$600K.

Selling tools, not total solutions.

*Have planned reduced yields in order to ensure adequate funds for sales force growth. Recession could make these yields seem high.

ADVERTISING:

(How do you expect to use advertising to help your market strategies over the coming years?

Will you be concentrating on direct mail, general ads, trade shows, etc.?)

Some brochures, just a few ads. Most of money being saved for Q4/74 introduction at NCC. Heavy advertising in the following year.

*Strategy change in advertizing likely. Have budgeted less money.

Intent is to keep KI10 business going for 18 months.

DATE June 8, 1973PRODUCT PLAN

(This page will be used to communicate what products you will need over the next time period in order to be successful in your business.)

ASSUMPTIONS:

(Identify what hardware and software products you are expecting the general hardware groups developing for you and when you expect to get them. In addition, identify products that you would like to be developed that are not currently scheduled to be done.)

Bob Puffer is producing:

RS04 Swapping Disc	Q1 74
TU16 1600 bpi tape	Q1 74
RP04 Mass File	Q4 74

Brad Vachon is producing:

TU43 200 ips, 1600 bpi tape system

*Same as before. However, likely to use Special Systems TU43 as a 150 ips, 1600 bpi standard system.

HARDWARE:

(What significant hardware developments are you planning to compliment those assumed above, and when do you expect them to be available?)

We are providing:

RH10 Mass Bus Controller for the KA10 and KI10	Q2 74
DC76 Asynchronous Communications	Q1 74
DC72 Remote Batch terminal and concentrator	Q1 74
DA28 Inter computer communications unit	Q1 74

plus, of course, the new KL10 processor and associated memory and controllers

We Need: 150 ips, 1600 bpi low cost transport with 6,250 bpi later Q3 74
 new 300 lpm low cost printer Q3 74
 32K sense memory Q3 74
 RP05 disc Q3 74
 **See below

SOFTWARE:

(What significant software developments are you planning to compliment those assumed above, and when do you expect them to be available?)

Software Under Development:

5.07 Monitor for KA10
 6.01 virtual memory monitor for KI10
 VIROS for KL10
 Message Control System
 Data Base Management
 FORTRAN-10
 New Multiprogrammed Batch
 Typeset-10

ORDERS: *No change although more emphasis being placed on TOPS-10 for KL10.

(Identify any product you are currently accepting orders for that has not been released to production.)

MCS, DBMS, Typeset-10, FORTRAN-10

*No change.

**No change although in-house manufacture of RP04 could alleviate need for RP05. Lower costs will allow lower price or alternatively a half capacity RP04 would fill the RP05 bill.

DATE June 8, 1973THE SERVICE PLAN

HARDWARE:

(Briefly explain your strategy in the hardware service area identifying what types of service you will be offering with your product and how it may be changing over time.)

Installation

8, 12, 16, and 24 hour maintenance contracts, resident and on-call.

5 and 7 days per week

Schedule PM service.

Special hardware training--no regular courses.

The P/L ships spares to be used on-site with each system. These are included in warranty.

No charge for field add-ons is made nor for ECO's if customer is under contract.

Special acceptance tests giving guaranteed uptime and crash rates are performed when negotiated.

Penalty charges are offered on a special basis.

We are beginning to perform more diagnostic and error detection capability on-line. This is now done for discs and tapes will shortly be included.

With the advent of the KL10 we will do more of this and will likely have communications links to all of our systems for immediate analysis before F.S. departure to the site.

**See below

SOFTWARE:

(Briefly explain your strategy in the software service area identifying what types of service you will be offering with your product and how it may be changing over time.)

We have taken the move towards unbundling services and are linking bundled support to installation and SPR warranty. Additional software help is being sold as needed for each account.

Major updates of monitors will be charged for and will include a one year SPR warranty.

SPR service is now being performed by a separate maintenance group in the software support organization. This will provide a fast response bug fixing service.

Other unbundled services such as training, program conversions and operations management are now being offered and these enhance our attractiveness to many customers.

*No significant change. However, it is unlikely that maintenance services will do better than break even. Unbundling of products has a much better chance of making money.

**Need for more attention here. Increasing competitive pressures on the one hand, plus lack of profits on the other. Business is too big to give up, but we must make it profitable. Need a new approach with the KL10.

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MANUFACTURING PLAN

(The objective of this page is to communicate your ideas on how you will be controlling your inventory and the cost structure necessary to run a successful business.)

INVENTORY:

(What level of inventory do you expect to operate at and how will you be controlling to achieve your goal?)

We have modified our finished goods inventories down 6.0M in Q4 74, in keeping with our phase out ideas of older products in FY75.

The P/L feels responsible for every inventory item. The manpower and computer time dedicated to this is helping us to identify every piece together with its scheduled use.

*The increased shipments budget has improved both the backlog and inventory pieces of the plan.

COST:

(What cost structure do you need to achieve over time to be successful in your business?)

The obvious answer is decreasing costs. The desired answer is what will you be doing to achieve the cost levels that you need, better ordering of materials, new designs, cost reduction of FA & T?)

The cost structure for profitability varies by item depending on whether it is bought out or of in-house manufacture. Obviously, competition helps set this.

The P/L has traditionally spent a great deal of time with purchasing and vendors to achieve the desired levels. A major part of our engineering effort is aimed at cost reductions.

The KL10 will allow us to move towards 5X markups on many in-house electronic items.

*The cost accounting efforts to more clearly identify product line costs will be very welcome. Standards are essential, the quicker we move to these the better.

DATE June 8, 1973AREA PLAN

EUROPE:

(What do you expect from Europe and how will you go about helping them to attain your goals. Are you expecting a more rapid growth than the total product line in this area?

Changing cost patterns? or any other thoughts that will help communicate your expectations.)

This operation is growing and is hiring well in spite of the usual difficulties. The profitability is superb; I'm not certain they'll be able to maintain it.

*No change

GENERAL INTERNATIONAL:

(Again the key point is communicating your expectations and desires from this area and how you will attain this over time.)

This has been a growth area in FY73. Ron Smart is very optimistic about FY74 opportunities. It could use some dedicated management at Maynard to ensure that we plan and support this business properly.

*No change

NORTH AMERICA

The biggest push is to build up the 10 Computation sales force to 100 specialists worldwide by the beginning of FY 75. North America obviously represents the major piece of this and is now recovering from a very slow start in FY 73.

*North America

Since Canada operates as a subsidiary with local pricing, we should expect some uplift there.

The USA should see greater growth this year due to ease of hiring.

The Operations Committee would like you to lead them in a discussion on various segments of your business and your alternate strategies to improve each segment. The segments could be defined in terms of markets, hardware, type of customer, or in any manner meaningful to you.

I	Segments	(History) FY 73					(use estimated numbers) FY 74					FY 75				
		NOR	GM	GM%	PLC	PLC%	NOR	GM	GM%	PLC	PLC%	NOR	GM	GM%	PLC	PLC%
	1. KA10/KI10	31.7	14.7	46.4	8.39	26.5	45.8	25.4	55.5	17.0	37.1	27.3	14.6	53.5	8.6	31.5
	2. Advanced Systems	1.4	0.88	63.0	0.60	42.9	2.0	1.2	60.0	0.8	40.0	3.0	1.8	60.0	1.2	41.0
	3. Software	1.8	1.6	89.9	0.16	(8.9)	2.0	1.8	90.0	(0.46)	(23.0)	3.0	2.7	90.0	0	0
	4. KL10	----	-	-	(1.03)	N.M.	--	--	--	(3.05)	N.M.	25.0	13.7	55.0	7.0	28.0
	5.															
	Total (Equal Plan)	<u>34.9</u>	<u>17.2</u>	<u>49.3</u>	<u>8.0</u>	<u>22.9</u>	<u>49.8</u>	<u>28.4</u>	<u>57.0</u>	<u>14.3</u>	<u>28.6</u>	<u>58.3</u>	<u>32.8</u>	<u>56.3</u>	<u>16.8</u>	<u>28.8</u>

II Discussion on Alternatives