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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

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TO: See Below

Subject: REVIEW OF MARKETING GROUPS

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Now that the Executive Committee is going to take on the responsibility to review, challenge, inspire and rationalize the marketing and application groups throughout the Company, I believe it is your responsibility as a committee of the committee secretaries to organize all the applications and marketing groups throughout the Company so that the Executive Committee can take hold of their new job. I believe we have marketing groups in every country and many groups in engineering. It would be good if you would prepare a list of all of these and then organize it in a way so that we can review them every six months or a year.

We would like to review two to four marketing groups at each meeting of the Executive Committee, and, for most Board of Directors' meetings, it would be good to have them review one or two groups.

We don't want these groups to consist of a very elaborate slide show or thick marketing plan. In general, these discussions should be casual, free-for-all discussions and not so organized that interchange is limited.

The presentation normally should consist of a simple statement of what is being spent in people and dollars and what the return is and orders or qualitative measures. Probably all the important data can be presented to the people for reading ahead of time in two, three or four pages and then, during the meeting, it will consist of a discussion on the assumption that people have read the preparation material.

The committee might propose the outline for each presentation.

Each outline would be different for different categories of groups. For some of them, it should be a review of the market the group is serving, the market share, and what the market share should be. We should also identify our most important competitors, their advantages, our advantages, our problems, and the answers to our problems.

The summary should be our investment, our return on investment, and the incremental return for an incremental investment. What would be the results if we cut back on our investment?

#### Major Business Weakness of Digital

In history, one of the weaknesses in our business plans is that we budget development of a product and we put aside a certain amount of money for marketing it. That marketing money is then put into a pool run by a marketing group that markets many products.

The result, not uncommonly, is for the product investment to continue and to be successful, but the marketing group has many responsibilities and one pool of money, and they feel it is their prerogative to invest that in the most opportune way with the result that many products are invested in engineering, tooling, production, and inventory but are never marketed. The product is often a failure because no marketing was accomplished and because the marketing group has many responsibilities and only limited funds, and they are not committed to market all the products that come under their responsibility.

I'd like the Executive Committee to take on the responsibility to make sure that, for every product investment, there is an appropriate budget and plan for marketing it and that this is reviewed to make sure that, if the product fails, it is clear whether it is poor planning, poor engineering, poor manufacturing, poor selling, poor marketing or complete lack of marketing, because the ~~signed~~ funds were used elsewhere.

**ASSIGNED**

#### Further Weakness of Digital

We traditionally leave the marketing of the product to the engineers which has several inherent weaknesses. First of all, the engineers work intensely with the product and cannot develop a feeling for the potential customer who doesn't understand all the details, all the acronyms, all the dreams and all the technologies. Secondly, the engineer, just by nature, is always trying to sell the improvements for which he is looking for funding for next year. This means that those products which he was enthusiastic about selling last year and the year before and which today are developed and ready to be sold, and often better than what he dreamed about, are no longer of interest to him. In fact, it is very common, almost traditional, for the engineer to explain all the weaknesses of today's product, which he was selling two years ago, because his main goal now is to sell the

need for the Company to invest in the projects for which he is looking for funding for the next two years.

It is not uncommon for engineers to unconsciously use the press, customers, and speeches to help sell the need for investment next year. The customer normally wants to know what we have today that he can buy today, and this engineer is completely involved in trying to get money for the improvements that he wants to accomplish within the next two years. If he can convince the customer and the press that these weaknesses are there and that he has a solution, he then is funded. It is, therefore, of utmost importance that the marketing message be reviewed by outside people with a certain objectivity.

We owe it to the customers to tell them about our future plans but that should be separate from marketing the products we have today and how they solve the problems of the customer and how they compare with the competition. It's a quite separate issue to tell what's coming down the road and none of that should be done by pointing out the weaknesses of today's product.

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