CQSR author draft

INPUT

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TEL: (01) 493 9335 TELEX: 27113
FAX: (01) 629 0179

FAX TRANSMITTAL FORM

DESTINATION: Mountain View

FAX NUMBER :

ATTENTION : Andrea

Telephone Number/Location

NUMBER OF PAGES: ______ of ______

CONFIDENTIAL CORRESPONDENCE YES ______ NO ______

URGENT YES ✓✓ NO ______

DESCRIPTION

① Service Update – please add sentence as marked + 'U.S.' in the title on p. 5 & then go to print.

② Thanks for your voicemail message – I didn't get the fax of the order form – please resend.

****

FROM: CAROL NICE

DATE: 19 March 1990.

INPUT
Project Charge Code: ______

INPUT LTD. DIRECTORS: P.A. CUNNINGHAM (U.S.A.), P.E. CUNNINGHAM, K.W.L. HOCKING, P. LINES
Registered Office: ROLLS HOUSE, 7 ROLLS BUILDING, FETTER LANE, LONDON EC4A 1NH
Registered in England No.: 1470416

Route:

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A Publication from INPUT's Customer Service Programme—Europe

March 1990

IN THIS ISSUE:

Hitachi Data Systems

Integrated Services Division—A Provider Of Customer-Led Service

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Background

Hitachi Data Systems (HDS) markets and services mainframe computers and peripherals and employs 2,200 people in 32 countries. It was formed in 1979, when National Semiconductor, which was then selling mainframes through Itel Corporation with Hitachi, purchased Itel's computer operations. The organisation was then called National Advanced Systems (NAS). In April 1989, Hitachi Ltd. and Electronic Data Systems Corporation (EDS) jointly acquired NAS and the company was relaunched as Hitachi Data Systems. Hitachi believed that the acquisition of NAS strengthened its position in the plug-compatible equipment market. HDS considers that the combination of Hitachi's expertise in hardware with EDS' software development capabilities will better equip the company to respond to the needs of its customers.

This new name was designed to reflect the 80% ownership by Hitachi with EDS holding the remaining 20%.

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Hitachi places great emphasis on R&D. The amount spent on R&D last year was up 13% and represented 5.8% of total sales. Special attention was focussed on electronics, semiconductors

Continued on next page

U.S.

Unisys Maintenance Activities

Unisys has been active in the TPM market for five years. Its president is Mr. Gazerwitz and in 1988 Unisys derived revenues of $35 million from TPM.

It is a large operation, with a total of 9,000 employees involved in service. 7,200 of these are field engineers. Unisys has 339 service locations, including 64 repair depots and one parts depot. The company offers its services throughout the United States, including non-continental US.

Support is provided for mainframes, minis, micros, peripherals, telecommunications equipment and local area networks. A wide range of brands is supported, including:

- Epson
- DEC
- Compaq
- Fujitsu
- Toshiba
- Wyse
- Mannesmann
- NEC
- Panasonic
- QMS
- Genicom
- Hewlett-Packard

Unisys provides a range of services:

- Manufacturer warranty work
- Software maintenance
- Training
- Refurbishment
- Installation/relocation
- Preventive maintenance
- Remedial maintenance
- Consultancy
- ECO/FCO (change orders)
- Conversions/upgrade

Most of their business (90%) is contract based with the remaining 10% being hourly per-call. Unisys is targeting various vertical markets, including transportation, distribution, services, medical, banking and finance. ■

News from the U.S.A.

The following are two questions posed to INPUT by clients in the United States. The first is indicative of the increased interest in the training and education sector.

Question: What maintenance and support programs are available from the major hardware manufacturers for higher education institutions?

Answer: INPUT addressed the education programs available from DEC, Apple, IBM, and Hewlett-Packard in the U.S December 1989 newsletter. The programs are recapped below, along with those from Unisys and Wang.

Apple—Apple offers four levels of purchase discounts: Educator Buy (teachers receive discount on individual purchases), Student Buy (students finance purchases through the Federal Student Loan Program), Institutional Buy (bulk purchases by the institution), and Contractual Agreement (campus bookstore acts as a reseller to students, faculty, and staff). Under the Contractual Agreement purchase, Apple trains the university staff to maintain and repair the equipment and helps the university establish an on-site repair depot.

DEC—DEC provides the Campus-Wide Educational Service Program to assist the university or institute to become self sufficient. Under the program, DEC will train the institute's staff in maintenance and repair, provide a 50% discount on parts, and assist in establishing an on-site repair depot to be staffed by the university or institute's employees.

HP—Hewlett-Packard does *not* offer any special service discounts directed to

Continued on next page

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FAX TRANSMITTAL FORM

DESTINATION: H.V.

FAX NUMBER :

ATTENTION : Andrea.

Telephone Number/Location

NUMBER OF PAGES: 1 of 10

CONFIDENTIAL CORRESPONDENCE YES ____ NO ____

URGENT YES ____ NO ____

DESCRIPTION

CQSR – sorry, there are some changes – I'd got it all approved by HDS & then they made more changes today.
The typed version is so you can see what it should be like – I've tried to highlight the places where it has changed.
Also in the typed bit there is an extra piece on Unisys. Try & space out a bit more. If there's time, I'd like to see the HDS people again. Thanks.

* * *

FROM: CAROL NICE

DATE: 16 March

INPUT
Project Charge Code: ____

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Registered Office: ROLLS HOUSE, 7 ROLLS BUILDING, FETTER LANE, LONDON EC4A 1NH
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Integrated Services Division - A Provider Of Customer Led Service.

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HDS benefits from the strength of its corporate backing. Hitachi is one of the largest industrial concerns in the world, with total revenues approaching 50 billion dollars, as shown in Exhibit A.
Hitachi places great emphasis on R&D. The amount spent on R&D last year was up 13% and represented 5.8% of total sales. Special attention was focussed on electronics, semiconductors and computers, to satisfy the demand for increased processing power. HDS is included in the Information and Communication Systems and Electronic Devices Division, in which sales increased by 19% in 1989, with the

computer sector experiencing particularly high growth. The financial performance of the division is also shown in Exhibit A. In response to the spread of distributed systems, Hitachi introduced a new series of small machines, the M-620 series, with a newly developed operating system, VOS K.

A

The corporate direction of HDS is based on a strategic plan which incorporates the Integrated Services division as an important element. In the U.K., the organisation is run jointly by the operations Manager, Jeff Holton and the Sales and Marketing Manager, Peter Duff.

HDS Integrated Services was first set up in the U.K. and has grown to the point where it now accounts for 25% of HDS' customer services revenues. 1990 will see this grow to around 33%.

Its customers include: Castrol (UK) Ltd, Cornhill Insurance and AST Transact (formally Royal Bank of Canada Systems).

Conception

About 3 years ago, Customer Service and Support within HDS re-evaluated its strategies. In view of the trend towards more reliable machines and customer demand for more than just piecemeal hardware and software service solutions, HDS decided that the way forward was to offer the client a total service package: all mainframe computer hardware maintenance would be undertaken by HDS, regardless of vendor. Integrated Services, a specialist division within Customer Service and Support, began to develop strategies to enter this market. The support offered involves placing an HDS engineer on the customer site to manage totally the servicing requirements of all the clients' computer equipment. The HDS engineers are able to service IBM and Hitachi equipment themselves and the servicing of other equipment is subcontracted, usually to the original vendor, although in some cases the subcontract is awarded to a third party organisation. HDS has agreements with over 50 vendors which allows the HDS engineer to liaise, on behalf of the client, with these other vendors. HDS claims that it has more vendor liaison experience than any other company in the U.K.

HDS claims that this method of providing service relieves the client of the huge burden of calling out engineers from different vendors and dealing with the contractual aspects of each. The on-site HDS representative takes on the ownership of all necessary tasks to ensure that the equipment is returned to full operational status with minimum disruption to the users' activities. One person taking on the management of all equipment service reduces

the operating overheads that multi-vendor sites typically bring. In some cases, the HDS engineer carries out remote diagnostics and remedial action for the other vendors. Very often, HDS claims that the expertise and experience of the engineer can save unnecessary call-outs and he can often pinpoint the problem very quickly. HDS claims that the on-site engineer is able to fix 80-90% of problems himself and is qualified to provide additional skills besides hardware fault resolution. The on-site engineer is often viewed as a member of the client team and has even appeared on a clients' own organisational chart.

Current Strategy

HDS is working within a well defined niche market, and while admitting to not being the most inexpensive provider of service, does claim to be the most comprehensive. Their customers tend to be the larger IBM sites based in London and the south of England. Exhibit B illustrates HDS' service positioning. HDS does not intend targetting the price sensitive sector of the market, but is aiming at local users who prefer service from vendors. HDS' policy of subcontracting back single source service to the equipment vendor allows them to satisfy their clients' needs. The value of a typical contract is around $500 thousand. They do have some smaller contracts, but do not actively seek them. Very often, HDS claims, business is generated by recommendation. It also appears that HDS can afford to pick and choose its clients: work has been turned away if HDS believes that it is not suited to the job.

HDS's recruitment policy is "to find the best", and the job is presented to recruits as "the job for the engineer of the future", a new career path. The role of the engineer is changing - the engineer is now seen more and more as a consultant and a key requirement is skill in customer liaison and account management.

Future Strategy

HDS claims to have identified a niche market, but there is further work to be done before a totally integrated solution can be offered. Exhibit C shows where HDS views its current position.

HDS sees a need to increase its expertise in software. A certain amount of systems software support is already offered in some cases, but HDS hopes to make it a formal offering by the start of 1991. Then leading on from this, HDS plans to tackle applications software with the objective of adding this to their portfolio by 1992. There are other enhancements to be considered, such as networks and office systems. These have been handled in a growing number of cases where the transition has naturally occurred on an

informal customer by customer basis. However, a country-wide structure has recently been put into place which can now support distributed equipments, as long as they are serviced by a large central mainframe site. HDS' portfolio has potential for further growth with the provision of environmental services. HDS has had experience, for example, of managing the move of a customer's computer room.

That the market for services such as those offered by HDS exists is supported by INPUT user research, which indicates that in 1989 almost 80% of users had a preference for single service. Many other service companies are formulating plans now to put into place similar 'total service' mechanisms, a factor also supported by INPUT research data. HDS' geographical coverage is limited, however, by the size of its operation. HDS is, however, formulating plans for growth and disucussions are now taking place on a nationwide basis with large mainframe users. HDS is also planning for its future growth into Europe. Currently, HDS has two contracts in France and has won a contact for a major site in Holland within the last four months. These contracts are being handled by the local Customer Service and Support organisation in each country. Expansion plans into Europe are being actively pursued. The ultimate aim is to provide a truly Total Service Solution service.

Hitachi Data Systems - Independent Maintenance Operations in the United States

HDS' U.S. operation in Santa Clara, California has been active in the independent maintenance market for five years. In 1988, it reported $15 million of revenues from independent maintenance and this figure is expected to grow by about 15 % in 1989. Gary Moore is president of the organisation.

The company has 75 service locations covering the whole of America. It has some 450 employees, of which 347 are field engineers, 60 are in field support and 30 in service management.

The company maintains a wide range of machines, including mainframes, minis, superminis and micros. It also supports peripherals, telecommunications and front end processors. Brands supported include IBM, Hitachi, STC. Magnuson and Telex.

In addition to hardware and software maintenance, HDS undertakes manufacturer warranty work, preventive maintenance and refurbishment. Recognising the need to be able to provide additional services, HDS also offers training and consultancy services.

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Continued on next page

Hitachi...*from page 1*

ing particularly high growth. The financial performance of the division is also shown in Exhibit A. In response to the spread of distributed systems, Hitachi introduced a new series of small machines, the M-620 series, with a newly developed operating system, VOS K.

Dallas-based computer services company EDS, now ~~owned by~~ a wholly owned subsidiary of General Motors ~~and managed by an executive team~~, operates in 26 countries. In ~~1988~~ 1989, EDS reported revenues of ~~$4.8~~ 5.47 billion, specialising in providing technology-based solutions for the management and movement of data, image and voice information around the world.

Replace with (A).

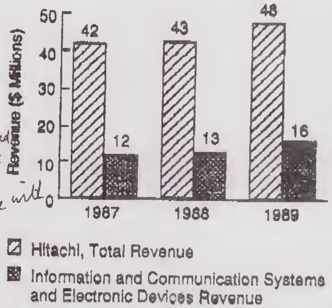
This last year (1989) was seen by HDS as difficult for its customers, so the company is operating a five-year plan to consolidate its position in the market, rather than aggressively attempting to increase market share. It is against this background that the Integrated Services Division has been operating. It is a small organisation employing 25 engineers, and is run by the operations Manager, Jeff Holton, and the Sales and Marketing Manager, Peter Duff.

HDS Integrated Services Division accounted for 25% of HDS' customer service revenues in 1989 and plans to increase this to around 33% in 1990. Its customers include: Castrol (U.K.) Ltd, Cornhill Insurance and ~~Royal Bank of Canada.~~

AST Transact (formally Royal Bank of Canada Systems).

Exhibit A

Hitachi Ltd. Revenue Growth, 1987-1989



Conception

About ~~18 months~~ 3 years ago, the Customer Service and Support division of HDS re-evaluated its strategies. In view of the trend towards more reliable machines and customer demand for more than just piecemeal hardware and software service solutions, HDS decided that the way forward was to offer the client a total service package: all mainframe computer hardware maintenance would be undertaken by HDS, regardless of vendor. Integrated Services, a specialist division within Customer Service and Support, began to develop strategies to enter this market. The support offered involves placing an HDS engineer on the customer site to totally manage the servicing requirements of all the clients' computer equipment. The HDS engineers are able to service IBM and Hitachi equipment themselves, and the servicing of other equipment is subcontracted—usually to the original vendor, although in some cases the subcontract is awarded to a third-party organisation. HDS has agreements with over 50 vendors that allow the HDS engineer to liaise, on behalf of the client, with these other vendors. HDS claims that it has more vendor liaison experience than any other company in the U.K.

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London
and
the
south
of
England

Exhibit B

HDS Service Positioning

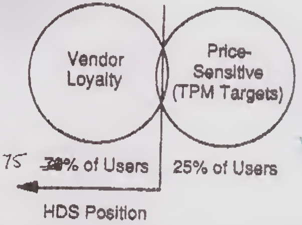

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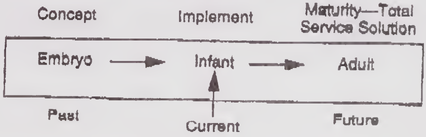
Exhibit C

HDS' View of Its Current Position in Providing Service Solutions



Hitachi...from page 3

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Hitachi Data Systems - Independent Maintenance Operations in the United States

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DEC - DEC provides the Campus-Wide Educational Service Program to assist the university or institute to become self sufficient. Under the program, DEC will train the institute's staff in maintenance and repair, provide a 50% discount on parts, and assist in establishing an on-site repair depot to be staffed by the university or institute's employees.

HP - Hewlett Packard does not offer any special service discounts directed to universities or educational institutions. HP considers each institutional purchase to be an opportunity for a custom purchase agreement.

IBM - IBM's Educational Allowances program offers discounts on all hardware and software purchases, while the national educational prices apply to microcomputers and related software. To be eligible for these discounts, the institution or university must be an accredited, non-profit institution of higher education and the equipment must be for their own use, and installed for at least two years before selling. There are no special pricing schedules or discount programs for service, regular service schedules apply.

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1. As part of a software maintenance contract, the upgrades are automatic when the company subscribes to the Media Documentation and Distribution.

2. "A la Carte" upgrades are available where only the upgrade and the documentation are purchased.

It may be more cost-effective under the software maintenance agreement if the system is to be upgraded regularly. Purchasing the individual upgrades is preferable if only an occasional upgrade is required.

INPUT Examines the Service Offerings of the Leading Third Party Maintainers.

The updated versions of Service Vendor Analysis - Third-Party Maintenance Volumes I & II (U.S.) are due to be released by the end of the first quarter.

Volume I of the **Service Vendor Analysis - Third Party Maintenance**, profiles the service organizations of the top ten TPM service providers in the United States, including revenues from service and service coverage. Each profile begins with a brief discussion of the organization and its significant actions over the past year. Following the profiles, the report provides summary tables of key service information on the profiled companies to allow quick comparisons. Volume II of the report presents a comprehensive snap-shot of the leading 100 service vendors in the third-party and fourth-party support market, outlining demographic, operational, and strategic information on the vendors in this arena.

These reports will be available in Europe from INPUT at a cost of £1495.00 each.

SNIPPETS

* IPL systems Inc, who sell IBM compatible tape drive subsystems and add-on memory for IBM machines, now has a technical support office in Zaventem, Belgium, which will be responsible for supporting IPL's European clients.

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Exhibit A.

HITACHI LTD REVENUE GROWTH
1987-1989.

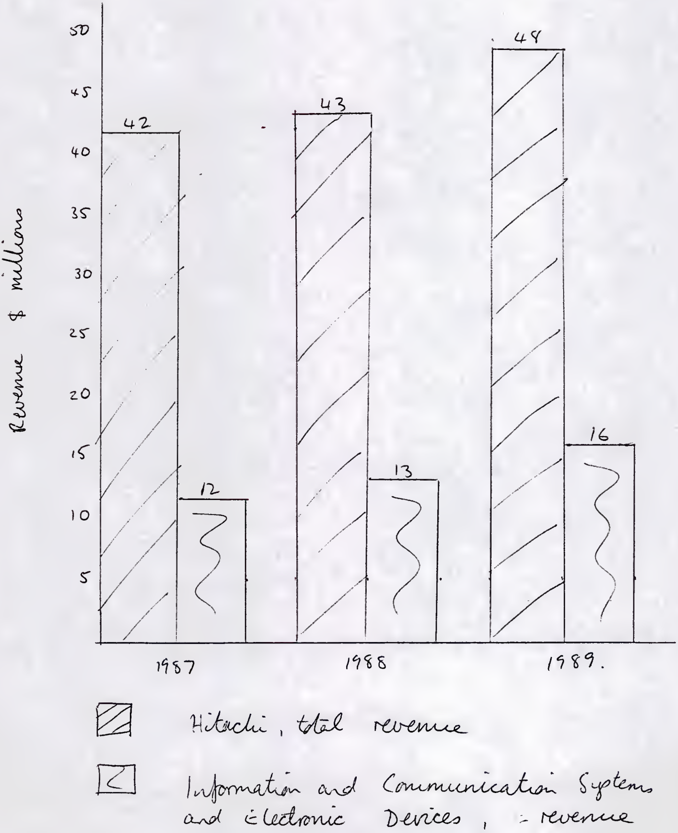


Exhibit 8

HDS SERVICE POSITIONING.

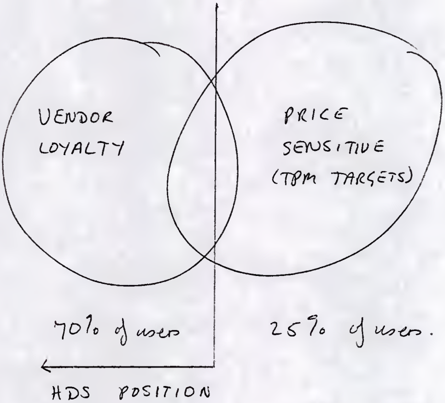
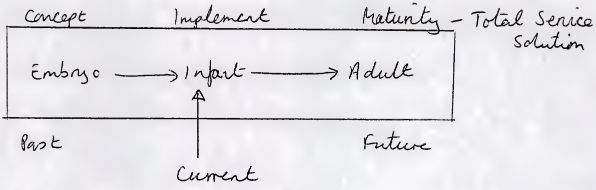


Exhibit C.

HDS' VIEW OF ITS CURRENT POSITION IN PROVIDING SERVICE SOLUTIONS.



Route:

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A Publication from INPUT's **Customer Service Programme—International**

March 1990

IN THIS ISSUE:

Hitachi Data Systems

Integrated Services Division—A Provider Of Customer-Led Service

The integrated services division of Hitachi Data Systems seems to be in a position today where many other services companies would like to be. The company considers that it has responded to the changes in the services industry and met clients' demands for total service from a single supplier.

Background

Hitachi Data Systems (HDS) markets and services mainframe computers and peripherals and employs 2,200 people in 32 countries. It was formed in 1979, when National Semiconductor, which was then selling mainframes through Itel Corporation with Hitachi, purchased Itel's computer operations. The organisation was then called National Advanced Systems (NAS). In April 1989, Hitachi Ltd. and Electronic Data Systems Corporation (EDS) jointly acquired NAS and the company was relaunched as Hitachi Data Systems. This new name was designed to reflect the 80% ownership by Hitachi with EDS holding the remaining 20%. Hitachi believed that the acquisition of NAS strengthened its position in the plug-compatible equipment market. HDS considers that the combination of Hitachi's expertise in hardware with EDS' software development capabilities will better equip the company to respond to the needs of its customers.

HDS benefits from the strength of its corporate backing. Hitachi is one of the largest industrial concerns in the world, with total revenues approaching $50 billion, as shown in Exhibit A.

Hitachi places great emphasis on R&D. The amount spent on R&D last year was up 13% and represented 5.8% of total sales. Special attention was focussed on electronics, semiconductors

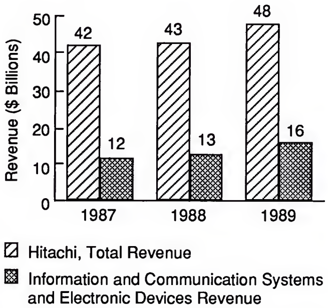
Continued on next page

Hitachi...from page 1

and computers, to satisfy the demand for increased processing power. HDS is included in the Information and Communication Systems and Electronic Devices Division, in which sales increased by 19% in 1989, with the computer sector experiencing particularly high growth. The financial performance of the division is also shown in Exhibit A. In response to the spread of distributed systems, Hitachi introduced a new series of small machines, the M-620 series, with a newly developed operating system, VOS K.

Exhibit A

Hitachi Ltd. Revenue Growth, 1987-1989



The corporate direction of HDS is based on a strategic plan which incorporates the Integrated Services division as an important element. In the U.K., the organisation is run jointly by the operations manager, Jeff Holton and the sales and marketing manger, Peter Duff.

HDS Integrated Services was first set up in the U.K. and has grown to the point where it now accounts for 25% of HDS' customer services revenues. 1990 will see this grow to around 33%

Its customers include: Castrol (U.K.) Ltd, Cornhill Insurance and AST Transact (formally Royal Bank of Canada Systems).

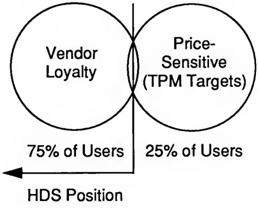
Conception

About 3 years ago, the Customer Service and Support division of HDS re-evaluated its strategies. In view of the trend towards more reliable machines and customer demand for more than just piecemeal hardware and software service solutions, HDS decided that the way forward was to offer the client a total service package: all mainframe computer hardware maintenance would be undertaken by HDS, regardless of vendor. Integrated Services, a specialist division within Customer Service and Support, began to develop strategies to enter this market. The support offered involves placing an HDS engineer on the customer site to totally manage the servicing requirements of all the clients' computer equipment. The HDS engineers are able to service IBM and Hitachi equipment themselves, and the servicing of other equipment is subcontracted—usually to the original vendor, although in some cases the subcontract is awarded to a third-party organisation. HDS has agreements with over 50 vendors that allow the HDS engineer to liaise, on behalf of the client, with these other vendors. HDS claims that it has more vendor liaison experience than any other company in the U.K.

HDS claims that this method of providing service relieves the client of the huge burden of calling out engineers from different vendors and dealing with the contractual aspects of each. The on-site HDS representative takes on all necessary tasks to ensure that the equipment is returned to full

Exhibit B

HDS Service Positioning



operational status with minimum disruption to the users' activities. One person taking on the management of all equipment service reduces the operating overheads of most multivendor sites. In some cases, the HDS engineer carries out remote diagnostics and remedial action for the other vendors. Very often, HDS claims that the expertise and experience of the engineer can save unnecessary call-outs and he can often pinpoint the problem very quickly. HDS claims that the on-site engineer is able to fix 80-90% of problems himself and is qualified to provide additional skills besides hardware fault resolution. The on-site engineer is often viewed as a member of the client team and has even appeared on a client's own organisational chart.

Current Strategy

HDS is working within a well-defined niche market, and though admitting to not being the most inexpensive provider of service, does claim to be the most comprehensive. Its customers tend to be the larger IBM sites based in London and the south of England. Exhibit B illustrates HDS' service positioning. HDS does not intend targetting the price-sensitive sector of the market, but is aiming at local users who prefer service from vendors. HDS' policy of subcontracting back single-source service to the equipment vendor allows it to satisfy clients' needs. The value of a typical contract is around $500 thousand. HDS does have some smaller contracts, but does not actively seek them. Very often, HDS claims, business is generated by recommendation. It also appears that HDS can afford to pick and choose its clients: work is turned away if HDS believes that it is not suited to the job.

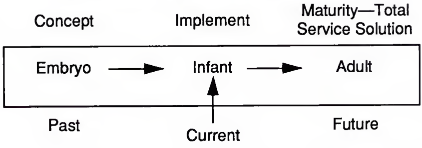
HDS' recruitment policy is "to find the best," and the job is presented to recruits as "the job for the engineer of the future," a new career path. The role of the engineer is changing—the engineer is now seen more and more as a consultant, and a key requirement is skill in customer liaison and account management.

Future Strategy

HDS claims to have identified a niche market, but there is further work to be done before a totally integrated solution can be offered. Exhibit C shows HDS' view of its current position.

Exhibit C

HDS' View of Its Current Position in Providing Service Solutions



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Hitachi...*from page 3*

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That the market for services such as those offered by HDS exists is supported by INPUT's user research, which indicates that in 1989 almost 80% of users had a preference for single-source service. Many other service companies are formulating plans now to put into place similar 'total service' mechanisms, a factor also supported by INPUT research data. HDS' geographical coverage is limited, however, by the size of its operation. HDS is formulating plans for growth and discussions are now taking place on a nationwide basis with large mainframe users. HDS is also planning for its future growth into Europe. Currently, HDS has two contracts in France and has won a contract for a major site in Holland within the last four months. These contracts are handled by the local customer service and support organisation in each country. Expansion plans into Europe are being actively pursued. The ultimate aim is to provide a truly total service solution. ■

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Unisys U.S. Maintenance Activities

Unisys has been active in the TPM market for five years. Its president is Mr. Gazerwitz and in 1988 Unisys derived revenues of $35 million from TPM.

It is a large operation, with a total of 9,000 employees involved in service. 7,200 of these are field engineers. Unisys has 339 service locations, including 64 repair depots and one parts depot. The company offers its services throughout the United States, including non-continental US.

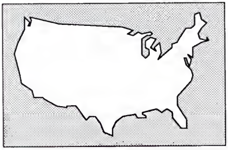
Support is provided for mainframes, minis, micros, peripherals, telecommunications equipment and local area networks. A wide range of brands is supported, including:

- Epson
- DEC
- Compaq
- Fujitsu
- Toshiba
- Wyse
- Mannesmann
- NEC
- Panasonic
- QMS
- Genicom
- Hewlett-Packard

Unisys provides a range of services:

- Manufacturer warranty work
- Software maintenance
- Training
- Refurbishment
- Installation/relocation
- Preventive maintenance
- Remedial maintenance
- Consultancy
- ECO/FCO (change orders)
- Conversions/upgrade

Most of their business (90%) is contract based with the remaining 10% being hourly per-call. Unisys is targeting various vertical markets, including transportation, distribution, services, medical, banking and finance. ■



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U.S. News...*from page 5*

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Continuous-information advisory services, proprietary research/consulting, merger/acquisition assistance, and multiclient studies are provided to users and vendors of information systems and services (software, processing services, turnkey systems, systems integration, professional services, communications, and systems/software maintenance and support).

Many of INPUT's professional staff members have more than 20 years' experience in their areas of specialisation. Most have held senior management positions in operations, marketing, or planning. This expertise enables INPUT to supply practical solutions to complex business problems.

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