
Digital Equipment Corp.: Vendor Profile

Corporate Headquarters

Digital Equipment Corp.
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Digital Equipment
of Canada, Ltd.
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Company History

Year Founded: 1957

No. Employees: 125,000

Led by Kenneth H. Olsen, three engineers founded Digital Equipment Corporation in 1957. Using their own money in addition to funding from a Boston venture-capital firm, they set up operations in an old brick wool mill in Maynard, MA.

Digital's first product was a set of electronic modules for computer test equipment. Three years after its founding, Digital introduced its first computer, the Programmed Data Processor Model 1, or PDP-1. In 1963, the company introduced its landmark PDP-8, the first successful minicomputer.

The PDP-8 established a whole new market for smaller computers and

made Digital a rising star within an industry then dominated by mainframe vendors. Digital's smaller machines soon became a price/performance alternative to big mainframes and also introduced the concept of distributed processing.

In 1977, Digital introduced the VAX (virtual address extension) Series of 32-bit minicomputers, one of the most successful product launches in computer industry history. Since introducing the first VAX, the 11-780, Digital has continued to enhance the basic VAX architecture and VAX/VMS operating system with announcements of new and more powerful VAX models over the years.

Officers

President: Kenneth H. Olsen
Senior Vice President, Engineering, Manufacturing, and Product Marketing: John F. Smith
President and CEO, European Operations: Pier Carlo Falotti

Product Line Overview

The current VAX family consists of VAXstation desktop workstations; MicroVAX departmental systems; VAXservers; VAX 6000 Series medium-range systems; and VAX 9000 Series high-end mainframes.

To support its systems, Digital offers disk, storage array, and solidstate memory products; optical disks; tape devices; and printers. Besides hardware and software, Digital offers a range of communications and networking products and services.

Management Statement

Digital is making a \$1.5 billion dollar investment toward new product development. According to the president's letter, Digital is "continuing to invest heavily in VAX- and RISC-based systems and VMS and UNIX software." Within the next year, "Digital's strategy is to focus on the computing environment of the 1990s. Digital will offer the widest selection of technology and continue to make significant investments in R&D and new products in response to dynamically changing customer needs."

Sales and Marketing Strategies

Digital uses direct and indirect channels to market its products and services. Direct sales occur through more than 200 offices worldwide. Third-party resellers include business centers, office equipment dealers, system houses, OEMs, and retailers.

Digital likes to characterize itself as the world's leading supplier of networked computer systems as well as a leader in systems integration. To remain a leader, particularly in these specific areas, the company believes it must support openness and industry standards to remain competitive in the 1990s. The company is a key participant in industry standards organizations such as the Open Systems Foundation (OSF), an industry group founded in 1988 to develop industry-recognized specifications for UNIX. UNIX will be the standard operating system for users who prefer open systems rather than proprietary systems.

Network Application Support (NAS), a new Digital strategic direction addressing VAX compatibility and multivendor connectivity, will let users integrate desktop systems and large system resources involving both Digital and non-Digital systems.

In 1988, Digital introduced Enterprise Management Architecture (EMA), an integrated network management strategy.

In April 1991 Digital, along with 20 other companies, announced their commitment to a new standards-based open computing environment

known as ACE. This new initiative is intended to establish compatibility, of applications, networking, and system management among systems from all vendors in the initiative.

Market Position

Digital products are positioned against the major players in today's computer and workstations markets, including IBM, Hewlett-Packard, Prime, Unisys, MIPS, Stratus, Sun Microsystems, and Tandem.

Financials

Digital continues to rank as the second largest U.S. computer company as measured by total revenues. While Digital enjoyed record revenue and profit growth through the 1980s—largely on the strength of its VAX platform and networking architecture—sales and profits have been sluggish within the last couple of years.

It is evident from the company's report of an 80 percent drop in earnings for the first quarter of 1991 that Digital continues to undergo pain. For the first quarter of fiscal 1991, ended September 30, 1990, Digital reported revenue of \$3.09 billion, down 1.2 percent from \$3.13 billion for the same period last year. Net income was \$26.18 million, a staggering 82.6 percent drop from \$150.78 million in the year-ago period. Digital blamed the profit drop on an economy that is teetering on the brink of a recession and lower demand for high-margin products. Like major competitors, Digital continues to do better internationally.

Second-quarter 1991, ended December 29, 1990, reported revenues of \$3.35 billion, up 5 percent from second-quarter 1990. Net income was \$111.2 million. According to Digital, the company began to see the benefits of investments, cost-control efforts, and an improved revenue growth.

For the third quarter, which ended on March 31, 1991, Digital reported total operating revenues of \$3,520,358,000, an 8 percent increase from third quarter 1990. Net income for the quarter rose to \$116,573,000, up from \$24,934,000 for the same quarter last year. According to Digital, the quarter's results reflect the consolidation of Digital-Kienzle, a German company in which Digital acquired 65 percent interest for \$230 million. Digital also attributed the results to success in its program to reduce expenses and strength in its RISC/UNIX workstation and services businesses.

Service and Support

Digital's Field Service organization offers both on-site and off-site support services for Digital products. Services include the Basic Service Agreement, Recover-All service, and Per Call service. Off-site maintenance is available through Digital's Customer Returns Center, Product Repair Center, and Digital Servicenters, which are all equipped with parts inventories, special diagnostic systems, and repair kits.

Digital maintains over 25 training centers worldwide. Courses covering both Digital-related and non-product-related topics are offered. On-site training at the customer's installation can also be provided.

Terms and Conditions

Digital's systems, as well as all peripherals, are covered by a one-year warranty with different levels of service. The minimum option—List Price Warranty—features one year of "return to Digital" support for parts and one year of conformance warranty for software. The alternative System Warranty Support is offered at an increased price and includes Basic Support Service. Standard Warranty Support prices are generally 10 to 20 percent higher than List Prices. Warranty coverage can be extended for up to three years. ■