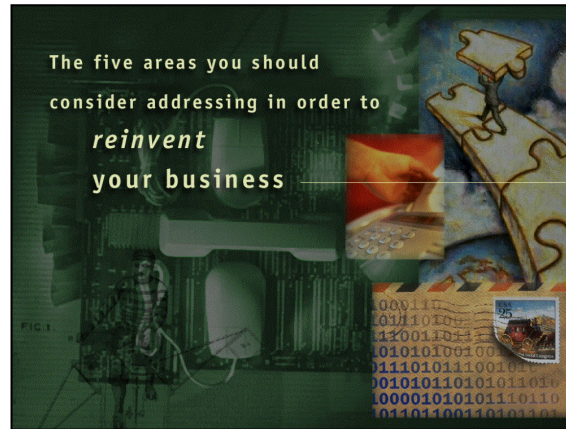


E-competing on the Edge

- ***Imagine yourself in a kayak on a roaring whitewater river – (fortunately, you’ve brought along your own paddle...)***
 - From your perspective low in the water, you can only hear the roar of what lies ahead
 - Knowing where you’ve been doesn’t help you navigate the upcoming rapid, but it gives you a clue about the volume of water you’re in
 - Around you is chaos — predictable, to a degree, but chaos, nonetheless
 - Your immediate concern is the boulder you can see and the submerged rocks that are only revealed by white foaming water
 - In fact, the only thing you know for sure is that you want to move safely toward your goal — the takeout point that signifies success — the end of your trip
 - To succeed, you need to focus on the here and now
 - Because of the water’s flow and the obstacles in the water, you must constantly reinvent your business
 - Your upright position is constantly challenged
 - The river often tries to take you directly at an obstacle or tie you up unproductively in the eddy
 - Just when you think you have it under control, conditions change

- While we're talking about it, remember that many, many people choose to do this – for fun
- ***Developing business strategy today is just like your whitewater trip***
 - Chaotic
 - Fluid
 - Constant challenges — some seen, some not seen, some intimated
 - You only know two things for certain — where you've been and where you'd like to get to
 - To succeed, you need to grasp where you were and where you're going, but it's more important to focus on the here and now
 - Because of the chaotic and constant change you must constantly reinvent your business
 - Kind of a pain, isn't it? Just when you think you've paddled into the clear, another obstacle springs up in front of you
- ***Technology has transformed business from a steady, predictable trip down the Mississippi on a log raft with friends into a surging, solo and sometimes white-knuckle whitewater trip down the Colorado River in a kayak***
 - It's no longer a leisurely float with your friends, where you only open your eyes to look at the clouds
 - It can make you wide-eyed, if you let it
 - Or you can get a thrill from the changes – kayakers do
- ***Information technology used to help you, much the way your paddle would on a river trip, propelling you around and past obstacles and threats***
- ***Now, IT still propels you, but it's as though someone has mounted a 100 horsepower motor that you can't control to the back of your kayak***
- ***IT used to support the business. Now, very often, IT is the business***
 - And it certainly propels your business
- ***To compete today you need to be on the edge, constantly reinventing what your business does and how your business does it***

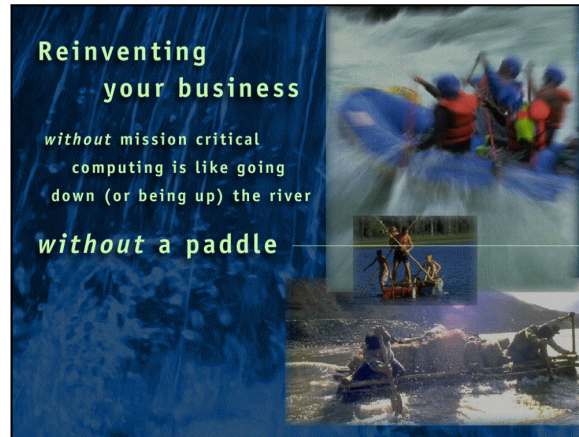
- On the edge — between chaos and structure
- On the edge of time — aware of the past and the future but focused on now
- Pacing your new products and services in way that makes your competitors react, not you
- ***What our “river” looks like — industry trends that make you reinvent on the edge***
 - All of us are creating companies built on sand — silicon, to be specific — call them “sand castles” because they can also easily be washed away in the tide of competition
 - Enterprises beyond physical walls — connected via the Net to workforces, customers and suppliers globally
 - More than 100 million of us have access to the Web now
 - 550 million in the next year
 - Net traffic doubles every four months
 - More than computers will be connected to the Net
 - Your organization needs to be poised between the calm of the eddy, which won’t take you anywhere, and the roiling whitewater of chaos that can drown you
 - Competitors — in any size or shape — do and will appear from anywhere
 - Like those unseen rocks that may only be revealed by whitewater
 - You need strategic alliances with partners to compete, to grow and flourish
 - Partners you can rely on the same way you rely on your kayaking friends who help guide you through the churning foam
- ***You need strategies that support quickly changing business processes so you can continuously reinvent your business — processes formed on the edge of chaos — and make sure you bring your own paddle***
 - Strategies that adapt to the changing nature of this river we call business



The five areas to consider to help bring maximum return when reinventing your business

- *Each is a building block necessary in the process — one is necessary to build on the next*
- *You don't just reach out and touch people anymore, you also email, fax, page and URL them.*
- *Pretty soon, "appliances" — the tools we use to do that — will have you doing all of that via the Net — via your IT systems*
- *That's what's creating all of this chaos you need to be on the edge of*
- *And that's why you need to think in terms of reinventing how you do things*
- **Step #1: mission critical computing**
 - Imagine mission "sorta" critical computing
 - Processing some of your customer orders, leaving the rest for competitors
 - Scott McNealy said, "Downtime... like e-Bay's, is a good way to get media attention" (Robert Oyang, HP source)
 - Downtime is also a good way to lose customers
 - And you have periodic downtime that lets you get your product to market, well, most of the time

- **Step #2: improve or remake your supply chain**
 - OR, don't worry too much about growing inventory, operating costs and waste
- **Step #3: gain business intelligence – of your customers and more**
 - Remember when computers were supposed to create paperless offices?
 - Now we can gather all the data we want
 - Of course, what we do with it becomes the issue
 - Like finding best-fit customers
 - Or keeping up with changing customer needs
 - Or growing sales by modifying products and promotion
 - Or we can increase our corporate contributions to paper recycling facilities with truckloads of collected but unused data
- **Step #4: improve the way your business interacts with customers**
 - “Voice Mail Hell” is no way to treat a customer
- **Step #5: capitalize on the Net using E-services**
 - E-services will drive the next major evolution of computing on the Net
 - E-services – the capability to seamlessly, transparently access any asset on the Net
 - It's become more than just the Net, it's an invisible transaction processing system for your workforce, customers and suppliers
 - Your competitors are likely building click and mortar
 - **Linking back-end systems and data to Net businesses processes**
 - **E-services goes beyond this by creating, in effect, “one huge virtual computer”**
- **Fortunately, HP can help you address these five areas**

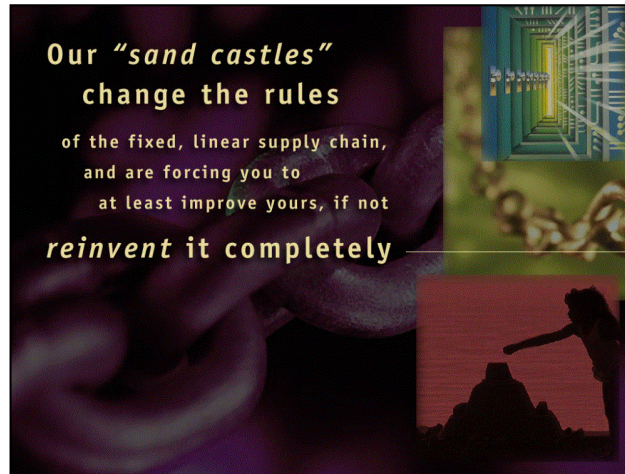


Mission Critical: Reinventing your business without mission critical computing is like being up the river without a paddle

- *MC computing means your front-end systems interact with customers, and intertwine with back-office systems for shipping, inventory management and more*
- *MC computing means you gain or retain a competitive advantage with your business intelligence*
- *As we move into Chapter Two of the Net, your business will expand to e-service weaving together virtually every element of your IT*
- *How critical is mission critical computing? Critical, not "sorta"*
 - Technology failures only account for 20% of unplanned downtime (Gartner Group, Dec '98)
 - It's important to consider application availability for the user
- *HP offers all levels of hardware and software support to met your needs across the enterprise*
 - Differentiator #1: 5 9's (end-to-end availability)
 - HP is the only solutions provider to guarantee "time to repair"
 - Differentiator #2: HP addresses all causes of downtime
 - Technology – 20% of downtime causes

- Application Failures 40% of downtime causes
- Operator Errors – 40% of downtime errors
- We focus on people, processes and infrastructure
- eBay failure example (When the “Sun” didn’t rise for eBay)
- **Does your company process all of your customers’ order all of the time?**
 - Merisel, a leading distributor of hardware and software in North America, knows when their competitors’ customer ordering systems go down because Merisel’s orders increase
 - They moved from a mainframe system to an HP/SAP R/3 system to ensure that their system doesn’t go down
 - Real time access to information across the company ensures that Merisel closes orders
 - They can tell the customer exactly how much the order will be and when it will arrive
 - Check allocation
 - Inventory availability
 - Credit-check information
 - Even freight calculation
- **Can you get products to market without downtime?**
 - Sara Lee Hosiery faces that challenge with its line of hosiery products like L’eggs
 - To keep a “leg up” on the competition they run ‘round-the-clock’ so that they can get products to market and they need their systems to run that way, too
 - They moved from mainframes to an HP 9000-based client/server environment running SAP
 - They also added MC ServiceGuard for failover support

- ***Is HA service and support too expensive? Consider downtime***
 - Visa International settles over a billion dollars every night, so the cost of downtime to them is obvious and considerable
 - 15 minute outage can affect several hundred million dollars
 - If a payment card process doesn't go through several "customers" are upset
 - The customer at the register
 - The store owner
 - The bank that issued the card
 - The store owner's bank
 - The credibility of the card is at stake
 - So Visa relies on maximum support services from HP, along with HP UX servers, hardware redundancy and more



Supply Chain: Our “sand castles” change the rules of the fixed, linear supply chain, and are forcing you to at least improve your, if not reinvent it completely

- ***Does a sprawling organization make it difficult for your company to reduce inventory, operating costs and waste, and improve decision support for long-term planning and capital investment***
 - Independent Grocers Association is the largest network of independent supermarkets in the world
 - Stores are “small hometown grocers” — from 7,500 sq. ft and sales volume of \$35,000 per week on up
 - Aggregate international business is well over \$16 billion annually
 - IGA needs a fast, flexible information system to get the right product to the right customer at the right time
 - They were locked in to a legacy system that made adapting to their new needs very difficult, if at all possible
 - IGA selected FourGen’s supply chain management solution and HP’s UNIX-based HP 9000 server
 - It tracks private label inventory that reside in 30 packing locations
 - It enhances inventory management and provides IGA with a greater ability to track inventory movement
 - It’s also an intuitive business analysis tool

- With it they can “easily drill down the numbers to find out what is behind” their costs.
- All of it ensures an improvement in customer service to the entire alliance.
- They get this great supply-chain, customer service tool that has easily customizable and upgradable applications



Business Intelligence: How intelligent is your business...? Of your customers and more...?

- ***The more you know about your customers, the more likely you are to increase profitability and reduce losses***
 - First USA, the third largest credit card issuer in the United States, determined they could do that by evaluating the product needs and credit histories of customers at a very detailed level, and assess consumers who are “best-fit” customers.
 - First USA implemented SAS Institute’s software on H-P’s HyperPlex cluster
 - It provides multiple modeling capabilities in more efficient timeframes, removing the need for manual translations from one analytical process to another
 - Decision trees
 - Clustering
 - Neural networks
 - Data mining regression
 - It enables them to data mine greater volumes of data in an automated, integrated fashion
 - With the HP system, they are better equipped to evaluate potential customers and manage it data processing growth

- ***Do changing customers needs keep you awake at night?***
 - 7-11, Japan, tracks the daily sales and inventory of its 5,000 retail outlets, each of which stocked more than 3,000 different products to do that
 - They gather, track and analyze ever-greater volumes of sales data
 - Providing historical buying trends, customer profiles and inventory analysis
 - The accuracy of the data is crucial to company's success
 - They share their data across regions and pool their resources for more effective decision-making
 - And the data is simple to access
 - To get “there,” HP Professional Services conducted a requirements analysis and submitted a new IT configuration design
 - It was a powerful client/server UNIX system that delivered processing capability of a mainframe at a far lower cost
 - Today all data retrieval and database management are now done on workstations in a client/server model
 - Yields results the very next day, instead of ten days later
 - More thorough POS data review
 - Analysts can not only ascertain how many products were delivered, sold and wasted, they can even examine buyer profiles
 - 7-11, Japan, makes sales projections faster, too
 - They were able to accurately predict the extraordinary market reception of a new beer and a new soft drink
 - Gave the manufacturers advance warning to step up production

- Now, 7-11 makes their system available to vendors for ordering, shipping, inventory management and invoicing
 - Despite on-going nationwide recession, business is booming for 7-11, Japan
- ***Have you considered growing sales by modifying products and promotion?***
 - General Mills expects up to 25% of its sales to come from products introduced within the past five years
 - Requires insights and creativity
 - Ideas for the future come from the information they gather today about the products consumers are buying
 - They rely on HP 9000 RISC servers and Red Brick Warehouse software
 - “Delivering the intellectual capacity of the company to the sales reps in the field”
 - Marketing staff use their system to uncover the company’s market share for various products in different markets, then tracks the impact of sales and marketing campaigns in different markets on consumer purchases
 - Combining shipment data with sales history, account reps have a better view of inventory build up in their accounts



Customer Interaction: Interacting with customers means more than opening the door for them — and you never get a second chance to make a good first impression!

- *Your supply chain delivers to customers, based on what they want and need.*
- *So business intelligence that lets you know what they want and need is important*
- *Your customers are always willing to tell you — if you'll just listen*
- *And technology is increasing ways you can listen to your customers*
 - SVP, the world's largest information services provider, saw a market that was rapidly changing and wanted to adjust their business model, offering customers more and better ways to communicate with the company
 - They wanted to reduce customer waiting time to speak with an SVP representative
 - They chose HP Smart Contact
 - Now customers have multiple contact channels – fax, email, phone and web
 - When they contact the company, a customer profile automatically pops onto a CSR (customer services rep) screen
 - Front-office and back-office applications were integrated, too
 - They gained
 - **A flexible infrastructure that adapts to a constantly changing market**

- **Enhanced success of their outbound telemarketing sales**
 - **Elimination of duplication and enhanced automation maximized agent productivity**
 - **Reduced overall costs**
- ***You've got the data, now what're you going to do with it?***
 - Great Western, one of the country's largest thrift institutions, wanted to expand its retail banking strategy, and turned to a customer relationship solution from HP helped bolster its ability to respond to customers
 - Now they can determine what the customer might want
 - The bank can determine which product or service is best for the customer
 - The bank can also determine which customer is profitable to the bank and offer that customer even better options

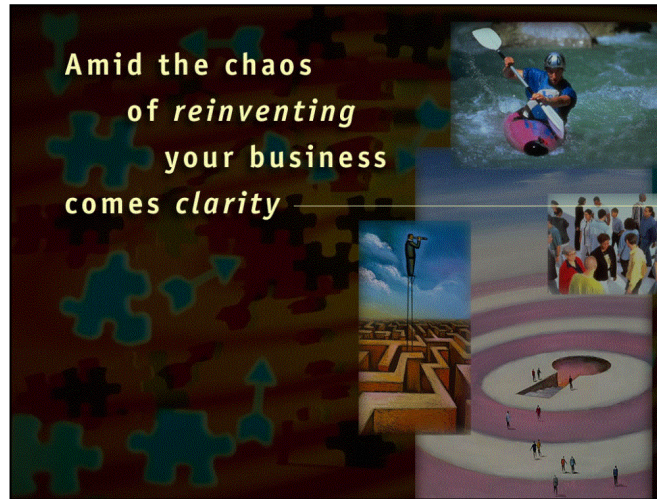


E-Services: E-services will make your world go around

- ***The capability to seamlessly, transparently access any asset on the Net***
- ***IT isn't just PART of the business, it IS the business***
 - E-services also enhances your supply chain model, and your customer interaction, as well as provides the primary intelligence you need to grow your revenue and increase your profits
 - Valuation of your company is largely based on your system's uptime
 - Anytime, anywhere Web means Total availability
 - Deploying e-services where customers want them the most
 - Fundamental shift in the way businesses interact with customers
 - Of you're only up 99% of the time, you're down 88 hours a year – over 1 and 2/3 hours per week.
 - What's that mean?
 - For example, at HP, we're processing more than \$16 million in transaction revenue every hour through our corporate systems
 - If we only had 99% uptime, it would cost us \$27 million/week or over \$1.4 billion per year.
 - eBay had over 100 hours of downtime in 1999

- ***Is your infrastructure ready to handle the onslaught of devices, appliances and traffic that will make up Chapter 2 of the Net?***





Amid the chaos of reinventing your business comes clarity

- ***As your business hyper-competes, as you travel down this whitewater, certain things grow evermore critical for you to navigate safely and effectively***
 - Time-to-market
 - Time-to-the-“right”-customer
 - IT flexibility
 - Customers expect 100% availability
 - Customers expect security
 - Customers expect manageability
 - Customers expect adaptability
- ***These five areas to reinventing your business will forever be intertwined***
 - Mission critical computing
 - Supply chain
 - Business intelligence
 - Customer interaction

- E-services
- ***Smart IT executives will stay on edge – “paddles poised”***
 - Because that’s where you need to be to compete today
 - On the edge — between chaos and structure
 - Between the eddy and the turbulent waters that can drown you
 - On the edge of time — aware of the past and the future but focused on now
 - Use your experience of the river behind you and keep alert for the sound of rapids ahead of you but know what’s going on where you are at the moment
 - Pacing new products and services in way that makes competitors react
 - Deliver the products or services that keep you ahead of your competitors
- ***And as you move toward your own “take out point,” remember to enjoy the scenery... Isn’t that why you took the trip in the first place?***