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Comments to “Storage Boot Camp” [for storage sales force]
Tampa

Good afternoon. I’m delighted to have this opportunity to talk with you today and wrap up the week. I know that there’s always a risk to speaking at the close of a conference. ☺ It’s not an easy thing to win mindshare when minds understandably are on packing up and flying out, and I know your week has already been packed with information. Hopefully you’ve had some fun as well.

So I’ll be brief and to the point. *My point is:* HP’s strategy to launch our premier enterprise storage platform — the MC256 product and its associated software, and to have a dedicated storage sales force — that’s you — is a *critical* strategy for HP, a strategy to which we are *fully committed*, and a strategy I know will be *successful*.

Let me tell you why I’m so excited about this. I’ve spent more than 20 years at HP and I can tell you that our storage platform strategy is a bold move, one of those events where we at HP are leading market change.

One of the best times in my career at HP was the early part of this decade — when we were the undisputed leader in making open client server computing the dominant computing architecture. What we are doing now with storage — pursuing a strategy of open storage area networks — is akin to what we did then with open systems, and also to what we are right now doing with e-services.

Open client server computing back in the 1980s was a major transition — a new world in the world of computing. And now, at the same time that we’re defining and building the infrastructure for the e-services world, we’re also poised to lead the transition to open storage and Open Storage Area Networks.

So, why am I excited? Because I think this is an inflection point for the computing industry and we are here again to lead the change. It feels really good to me personally to see HP making bold moves again as a company.

There’s an interesting book called “*Competing on the Edge*,” by Shona Brown and Kathleen Eisenhardt. It makes the point that because change is *the* striking feature of contemporary business, what drives superior performance is the ability to change. And ultimately, the authors say success is measured by the *ability to constantly reshape competitive advantage and constantly reinvent the firm over time*. They talk about managing change, like everyone else, but what these authors say, is that at the highest level, managing change is about *leading change*, and that means creating the change that others have to react to. To me, that’s what we’re doing with our premier enterprise storage platform.

And *why* are we leading this particular change?

You all know that a core HP value is earning and keeping customer trust and loyalty. And we extend that value to our channel partners as well. So one reason we're leading this change is because right now in the storage area, we see a significant opportunity to be champions for our customers' and our channel partners' rights and needs.

A second reason we're leading this particular change is because support of Open Storage Area Networks is highly linked with our vision and strategy for e-services (ad lib). HP's e-services vision helps people and businesses derive new value from the internet by moving beyond Web access for information, to -- availability of a rich array of nimble modular electronic services.

A third reason to lead this change is because we have *experience* leading change. It's an HP *hallmark* — it's what's made us so successful before, and as long as we continue to lead the market, that's what will ensure our success.

And, of course, there is an enormous growth opportunity in the storage market, and therefore for HP, Hitachi, our respective shareholders, and for *you*. Just as our commitment to open systems fueled significant growth for the company, I expect our commitment to Open Storage Area Networks will do the same.

So let me expand on these reasons for leading change and talk for a few minutes about what's happening in the storage market and our positioning for the premier enterprise storage platform. I know that you heard a lot about this on Monday, but I'd like to tell it to you from my own perspective, and I'll just review the high points:

Here's what we're hearing from recent analyst studies:

- The majority of businesses will roughly double their storage requirements annually — that, according to the Gartner Group.
- By 2001, the largest 100 of the Global 2000 companies will each have data warehouses of at least 1-petabyte — that, according to the Data Warehouse Institute.
- And it doesn't take an industry analyst to see that growth in NT servers, Internet, intranet, and database applications is rapidly consuming storage.

What that boils down to is:

- Virtually all data is considered mission critical today;
- Storage is now a *strategic resource purchase*;
- And we should see more than 100% annual growth for NT-installed disk storage.

We're also seeing these trends:

- More multiple storage solutions and therefore more complex storage infrastructure requirements — like security, backup, and operations management;
- More requirements for consolidated storage under a single point of management;
- And more need for 100% availability to access storage in all of its forms.

And when we go out and talk with IT professionals, here's what we're hearing and how we're answering them:

- We're hearing that the single-most sought-after quality in a storage solution is high-availability and reliability. With MC256, *we have it.*
- We're hearing that customers are looking for the best operational support. With the support we're building around With MC256, *we have it.*
- We're hearing that customers want to buy from a reliable company. *HP is that company.*
- And we're hearing that customers need more investment protection for legacy systems and storage. We know the best means of providing enterprise customers with reliable access to all storage devices from any server or application is with *Open Storage Area Networks (open SANs).* And *MC256 supports open SANs.*

So ultimately, what all of this boils down to, is our *mission*, or *SWAT strategy*, which is to provide the Enterprise Accounts Organization sales force — all of you — with a competitive advantage when you sell ESBU storage solutions. With MC256, we're doing what the authors of the book say is necessary for success: we're *reshaping competitive advantage.*

It's clear that with the MC256 launch — including our strategy, our product, and our people — we have what it takes to succeed. So now let me turn to how I think we need to position ourselves vs EMC.

I'd like you to keep *four things in mind* regarding competitive positioning:

The *first* is that our selection of EMC as a high-end, multi-platform storage vendor was the right decision for our enterprise customers *in 1995.* But four years in today's real-time world is a long time, and, as I said earlier, needs have changed *significantly* since then.

HP has always championed customer interests by meeting their needs for high availability, open systems, and open networking. We've proven this with our investments in our 5nines:5minutes high availability vision and with our support for both UNIX and NT platforms. So as our customers increasingly see storage as a strategic resource, it's crucial for us to apply similar principles to storage — especially with the advent of Storage Area Network technology.

And as you know, HP and EMC have fundamentally different ways of viewing Open Storage Area Networks. Simply put, we're *supporting* Open Storage Area Networks and EMC *isn't*. HP's MC256 supports Open Storage Area Networks, while EMC is continuing to develop products to connect multi-vendor server platforms to their own *proprietary* storage area network. The concept of Open SANs and our introduction of the MC256 address *today's* needs.

Now the *second* important point on competitive positioning has to do with NT servers, Internet, intranet, and database applications consuming more and more storage in enterprise systems, and therefore fueling growth in the storage market today. So a key reason why HP is supporting Open Storage Area Networks is linked to our vision and strategy for an e-services world: We believe strongly that delivering comprehensive enterprise *storage solutions* has to be a critical element in our E-services strategy.

I'd like to make a *third point* on competitive positioning, and this one relates to our *channel partners*. Over the last few years, HP's channel partners worldwide have gotten more vocal in their complaints about the EMC business model — particularly as they've felt more vulnerable to being shut out by EMC's growing direct sales force. HP's commitment to Open Storage Area Networks puts our resellers and distribution partners on a *winning* team.

A *fourth point* on competitive positioning: As you've heard over the week, HP's Enterprise Storage Business Unit's overarching strategy is to bring guaranteed, *Stress-Free Storage* to our enterprise storage customers. And the purpose of this is to allow them to focus on their business issues while we focus on their IT infrastructure. If any of you remember Greyhound, It's a "*leave the driving to us*" approach. And it's a business model that is committed to *leading the industry* by delivering open, intelligent, Storage Area Network solutions.

A fifth and final point and this one will be controversial. EMC has been pissing me off for 4 years now because of their arrogance in the marketplace and I'm tired of it. I'm tired of them booking orders direct the last few days of the month or quarter because they claim that HP added no value or that our sales team just weren't aggressive enough. I'm tired of them trying to put HP out of the storage business and claiming there is no leverage between the storage sale and the server solution. And I'm tired of hearing from them how HP is a leader of the past and EMC is a leader of the future. I know the Hitachi people are tired of hearing about the superiority of the Symmetrix product when you know that Hitachi *clearly owns* technical superiority. I think we need to go out and kick EMC's ass, what do you think?

So *Congratulations!* for being a part of this very bold and exciting move we're making in storage. Our bases are loaded, and *you* are about to step up to bat. Which brings me to how we're going to ensure that you hit *a lot* of home runs.

We're going to give you *lots* of support. But before I go down the list, let me say that I know, and I know *you* know, that transitions are not without issues and obstacles. That is also the case with our new storage strategy. The good news is that the other side of almost all obstacles is opportunity, and that, too, is the case with our new storage strategy. Moreover, we are committed to doing whatever it takes to help you move through the issues, and take advantage of the opportunities.

One of the issues you'll face is that our strategy involves multiple sales forces selling multiple product lines. You'll be partnering with reps selling UNIX servers, software, and services, and you won't solely own an account or a deal. The good news here is that this is not a new model for us. We've done it before, and very successfully. Managing complex relationships is a skill HP's reps have acquired through years of working with enterprise solutions and strategic customers. And because HP's sales force uses this skill so effectively, I'm convinced we'll use it to the best advantage in selling the MC256.

Another issue you'll face is working with the customers who have EMC already in their environments. With our introduction of MC256, they may be facing a more complex environment. As you know, it's crucial to reinforce that we are introducing MC256 as HP's *premier* enterprise storage platform.

We are *not* replacing EMC — because we are committed to investment protection for our enterprise customers and to Open Storage Area Networks. We are continuing to sell EMC as an *alternative* enterprise storage platform. And the good news here is that we believe our strategy will ultimately have long-term benefits to our customers, to us as field people, and to HP and Hitachi shareholders.

So, again, let me just hit the high points that I see in the support you'll get:

You will have a *terrific* package of MC256 field sales tools, including:

- A Sales Survival Kit, with a sales guide, collateral, competitive tools, and customer and channel partner videos;
- A post-launch CD-ROM with a comprehensive set of new tools;
- Presentations and letters;
- New competitive sales tools, including, among other things, several white papers.

Also supporting you are the MC256 Marketing/Sales programs, such as Our Early Reference Program, Customer/Channel Care Programs, and Customer Incentive Programs. We have a very strong Sales Support infrastructure. And with regard to the new compensation model you may have been hearing about — I've empowered Mark to push the limits on this, and I know Mark and each of his managers will work hard to be creative and do just that.

Last, but of course, not least, we've got some great Sales Force Incentive Programs, not the least of which is the *Stress-Free Club*, a sales incentive for the second half. So let me tell you a little bit more about it: We'll be sending the most successful storage sales reps and their guests on a trip to the Caribbean. I'll let Mark fill you in on the details in a moment.

Before I close, I'd like to issue this group a challenge, a stretch goal for the second half. Your quota is \$725 million, and I think we can beat that. I like round numbers so I think we should go for \$800 million, which is 110% of quota. Mark, why don't you think of some reward for the team if we make that goal.

So remember — HP's strategy to launch our premier enterprise storage platform with a dedicated storage sales force is a *critical* strategy for HP, a strategy to which we are *fully committed*, and a strategy I know will be *successful*. I have complete confidence that you will keep your eyes on the prize, and that we'll all be winners because of it. Thanks for taking the time to listen today, have a safe trip, and a great weekend!