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## MICROSOFT MEMO

To: D-OEM  
 From: Joachim [Signature]  
 Date: July 5, 1988  
 Re: DOS 4.0 - US Sales Policy  
 cc: Pascalin, Jeremybu, Bobo, Russw, Timb

We decided on pricing for DOS 4.0 and its utility shell. I want you to pursue this opportunity as aggressively as possible. The following is our sales strategy:

1. Convert all customers to the DOS 4.0 kernel product. Try to get them on to price list level at the same time and if contracts are really old - introduce the idea of a new contract. You have to walk a fine line. DRI has a competitive offering in DR DOS and you do not want to turn customers away. If there is a lot of resistance to step customers up to p-list level introduce the idea of doing it over 2-3 years in appropriate increments. The version fee is a moderate \$10k for customers who are at p-list level and have or do not have rights to this new version. Another idea of getting them to the regular p-level is to do it for newly added PC's only and leave the existing machines alone. Be reasonable and convert all customers quickly. (No change in MS-DOS binary prices by the way) Do not loose because of price!
2. After you have agreement of going to 4.0, try to sell the shell to as many customers as possible. The agreed upon shell pricing in US \$:

per/system	1K	6K	25K	100K	250K	500k	Units
8086/88	8	6	5	4	3	2.5	2.0
80286/386	9	7	6	5	4	3.5	3.0

The shell means a new commitment. Again a new contract or an amendment (adding the shell) are your options. You will probably have to demo the product and "leave" a copy. We do have beta test copies. Make sure NDAs are in place as usual.

Try hard to sell this product per system. Per copy prices quote at 3 times the per system prices. It is important that the customer buys the shell. DRI cannot copy it easily. Remind the customer that the shell will make mouse sales even easier and we do sell mice to OEM's. I am interested in per system mouse bundles with MS-DOS 4.0 and the shell. Sell the shell before you sell the mouse. Do not loose because of price.

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3. Do not confuse the customer with Windows talk. We will try to "upgrade" NON-WIN customers in Q3 FY89 when WIN 3.0 is real. Sell what you have! If there is resistance from WIN customers to take the shell for their 286 and 386 machines, I want to know about it. We might consider to sweeten the deal. But remember, IBM compatibility will mean to carry the shell.
4. IBM will probably announce the product 7/19/88 and ship in early August. Customers can expect BAK early August. We are trying to improve this. Work with Product Marketing and PSS to help your customer to adapt to DOS 4.0 ASAP. The IBM pricing and announcement strategy cannot be discussed with any customer. IBM will continue to ship DOS 3.3 but IBM DOS 4.0 will always contain the shell. Remember the shell does not run under DOS 3.3 another argument to go to 4.0 and stay compatible. IBM Retail pricing for 4.0 could be \$150-160. Pricing for 3.3. will probably remain at \$125. This is speculation. IBM might offer a - proof of purchase- upgrade package for IBM DOS customers only at probably \$95. Ask your customer what they plan on upgrading their customers?

Microsoft is interested to upgrade an OEM's customer base. Please discuss any lead with your OEM Sales Manager. Make sure your customer ships adapted product (DOS 4.0 + Shell) in Q1 of FY89.

ATTENTION: Special Shell screens might need special adaptation work for the OEM, when shipping the shell.

5. Our packaged product price to OEM's will remain unchanged. Per copy pricing:

\$ 75 = 100 Units and < 500 Units

\$ 72 = 500 Units and < 1000 Units

\$ 69 ≥ 1000 Units

We will introduce per system pricing.

\$ 60 = 1200 Units < 2400 Units (Royalty: 45 COGS: 15)

\$ 59 = 2400 Units < 4800 Units (Royalty: 44 COGS: 15)

\$ 57 ≥ 4800 Units (Royalty: 42 COGS: 15)

We will aggressively market this. This information cannot be shared with customers until we announce.

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The price is for US version and for customers in the US. There will be no localized packaged product available in the US. A special contract is in development. Our packaged product will only be sold with the shell. 3.3 packaged product will be phased out.

6. MS is planning to implement an upgrade program for MS - packaged goods customers only. This will be done in a low key fashion through advertising and fulfillment with proof of purchase requirements. This is done on a limited basis only and should NOT concern our OEM's. The price for the upgrade package will be approximately \$60.
7. All above prices apply to system manufacturers only. Customers selling emulator or Bios software with DOS 3.3 will be offered different prices. We will make sure that these customers always ship DOS 4.0 together with the shell.

Happy Selling! If you have any questions please ask your Group Sales Manager.

Best regards..

P.S. Customers who have bought the DOS Manager product will be allowed to terminate the old license if they commit to buy the shell.

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