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Microsoft Internal Memorandum

To: Pete Higgins, Mike Maples
 Fr: Hank Vigil, Phil Welt
 Re: Microsoft Excel Exchange program
 Dt: 1/18/89
 cc: Sharon Decker, Mike Negrin, Mike Rhamy, David Vaskevitch, Rich Macintosh, Pete Higgins, ABU Marketing, Nancy Gullick, Marty Garrett

This memo outlines the Excel Exchange program. It summarizes input from Mikene, Miker, Sharonde, and Peteh. The program is designed to offer existing Lotus users an incentive to purchase Excel in lieu of upgrading (or waiting to upgrade) to the next version of Lotus 1-2-3. The Excel Exchange program is an integral component of the overall Excel Push campaign, and has been designed to complement and reinforce the other aspects of the program. It will be positioned in communications to our resellers and end-users in this way.

The program is designed primarily as a reseller program, but some care has been taken to make Excel Exchange a workable program in the Corporate Accounts selling environment. In this, we have tried to mimic Lotus' expected upgrade program. This is outlined in the Excel for Corporate Accounts section, and has significant financial impact.

Options for Corporate Accounts:

In funnelling the upgrade through corporations, we have two options:

- Allow Microsoft CAX's to verify to their satisfaction that the requirement for 1-2-3 system disks, original reg cards, and purchase orders has been met, and authorize the rebate, or
- Be firm in our requirement that Exchange customers send these materials to our corporate offices.

The former will greatly increase participation in the program, and closely match the steps we think that Lotus will take. It will also increase our financial exposure, since most large customers will take advantage of this offer, and since "double-dipping" is possible. (There is some control via the CAX.) The latter form, however, will reduce the number of people who participate in the program, and hence, its impact. It will also significantly complicate the sales process for our CAX's.

To maximize the effect on the program, we recommend the former approach. Please flag us if you do not agree.

Basic Program Concept

Microsoft will offer PC Excel purchasers either \$75 or a copy of Windows 286/386 if they send us:

- Their Lotus 1-2-3 system disk
- Their Excel sales receipt (original)
- Their Excel Registration card (original)

The rebate or premium would be fulfilled directly from Microsoft to the name/firm on the purchase order or sales receipt. While Microsoft will honor the purchase of Excel at any street price, the offer would be void if the customer is participating in any other pricing programs offered by Microsoft such as Corporate Development. A full list of restrictions follows.

The program has been designed to work in concert with Excel's promotional pricing. The combination of the \$75 rebate plus a 25% lower street price will yield an Excel price roughly comparable to the Lotus 1-2-3 V3 upgrade price of \$150.

Program Mechanics and Timing

- The program will commence on February 1. Tentative end date for the program is June 30.¹
- The program will run in two phases. Phase 1, starting Feb. 1, will allow customers to call Microsoft, and receive a letter and rebate form allowing them to participate in the program. Phase 2 will commence with delivery of Excel Exchange rebate forms, and supporting collateral materials (POP display, explanatory letter/flyer) to our resellers. Phase 2 is targeted for late February, concurrent with the initiation of Excel promotional advertising on behalf of Excel Exchange and other Excel Push promotions. In developing Phase 2 materials, we'll solicit input from local outbound salesforces regarding presentation.
- Fulfillment will be managed by Microsoft's Inside Sales group. Inside Sales will have a up-to-date list of all Corporate Development and Golden Disk accounts allowing them to monitor compliance with the rules.

¹It may make sense to extend the program if Lotus doesn't ship V3 until late Q2. There is some merit to the argument that Exchange should run through the end of 89, as this will probably be the active period of the Lotus upgrade effort. If the program runs through the end of 89, we could do some powerful positioning linkage with the Win/Win guarantee. This, of course, is primarily a financial decision.

Excel Exchange for Corporate Accounts

To make the Excel Exchange program flexible enough to be effective in the Corporate Account environment, we will offer a Corporate Account version of the rebate form. This version of the form would be available concurrent with Phase 2. It will be designed so that it allows either a Microsoft Corporate Account sales rep, or the outbound selling arm of a reseller, to easily work with the central purchasing agent of a company that wants to participate in the program. In signing the Corporate Account version of the Exchange form² a company agrees to:

- Deliver/Destroy the appropriate number of Lotus 123 System Disks.
- Collect and return to Microsoft the appropriate number of Excel Reg Cards in a single transaction.
- Confirm they are not participating in Corporate Development/Golden Disk programs

It will be left to the discretion of the Microsoft CAX shepherding a centralized Exchange whether to actually insist on delivery of the Lotus System disks, or collection of the reg cards. In the case of outbound resellers, Microsoft will insist on both requirements being met prior to fulfilling the rebate/premium. Fulfillment will be directly to the participating company.

Exchange Offer Restrictions

1. The offer cannot be used in conjunction with special pricing or other promotional offers that Microsoft has or will make to consumers.
2. The original registration card and sales receipt/purchase order are required. No photocopies will be accepted.
3. Offer Good in the USA only. (use standard text)
4. Offer valid on any unit purchased after 2/1/89, and prior to 6/30/89.

²A simple 1 page letter/contract