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# Microsoft Memo

File → "Pricing"

TO: Scotto, Richmac, Jeremybu, Lewisl, Marysn, Mikemap, Richardf, Tedha

Cc: Garygi

Date: October 30, 1990

FROM: Mikene

RE: Summary & Action Items - October 25 Pricing Meeting

The objective of this memo is to provide a top line meeting summary, decisions made, and action items. This memo is a follow-up to Richmac's e-mail dated October 29 to all above discussing the general guidelines for the pricing equations.

## Top Line Situation Summary

The objective of the meeting was to gain consensus on the policies for Applications products bundles with OEMs, resellers, VARs, and Distributors. Lewisl's memo dated October 22, 1990 entitled OEM Pricing Recommendations for Applications was the basis for the discussion. Richmac stated that we have defined the channel policies in terms of our current USSMD resellers. Now it is appropriate to define the rest of the channels that may choose to bundle applications products. The policies must be implemented consistently with minimum current channels conflicts.

Jeremybu stated that there is a difference between Apps and Systems products and that international currently has a multi-channel strategy. Also, that hard bundles are important to MS at the right price but soft bundles are complicated.

OEM sales people are confused about the U.S. multi-channel strategy according to Richardf. They require a set of policies to increase business through OEMs. The policies initially require internal development, then agreement, an understanding by sales personnel, and consistent implementation.

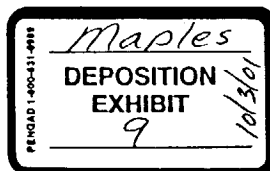
## Decisions

1. We would not offer soft bundles.
2. OEMs may purchase packaged products, with minimum commits, at 46% discount and for VARs 44% through a direct relationship. <sup>every</sup> These bundles of packaged products must be sold with hardware or sold with software solution and cannot be called out on price lists in any fashion. This policy would apply to Apps and Systems packaged products. This is consistent with the LM/SQL programs under development for OEMs.
3. We would develop consistent policies for hard bundles through OEMs and resellers as follows:

Hard Bundle Type	Customer Mfg & Supports	MS Mfg. & MS Supports
Hardware OEMs	Yes	Yes
Resellers	No	Yes

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4. A hard bundle is MS packaged product disks and full documentation incorporated in the hardware SKU by model number with 100% penetration. A model is defined as the CPU chassis and processor. In addition, all the various configurations of the model number would have hard bundles to meet 100% penetration requirement. The products may or may not be installed on the hard drives.
5. Minimum dollar commitments will be developed.
6. 100% penetration of hardware model sold will be required. The definition in #4 above seems workable.
7. Richardf will handle OEMs requiring to sell Apps off a system instead of with hardware as an exception. An example is AT & T Rhapsody.
8. Jeremybu stated Systems products, Win3, should be sold on royalty basis and not to focus on the product during the development of these packaged product hard bundle policies.
9. No AE products may be sold as a hard bundle.
10. PC Works' aggressive pricing will remain as an exception to policies developed.
11. Apps hard bundle business from OEMs will not be used to offset Systems commit payments due.
12. Standard auditing procedures will be developed and enforced to ensure compliance.

#### **Action Items**

1. Lewisl, Richardf, Marysn, and Mikene will form a task force to develop the policies, pricing for each hard bundles type in the table above, and consistent minimum commitments. The focus will be on high end Applications products.
2. Profitability models and recommendations will be prepared and reviewed to incorporate within an internal memo for sign-off.
3. Marysn will review the Legal rationale to offer minimum commit based hard bundle comparative discount programs to OEMs and resellers.

Within three weeks a memo will be agreed upon and provided to Mikehal for signature of MS policy regarding hard bundle programs with resellers and OEMs. Should you have any questions or require additional information please inform me.