

From peteh Mon Mar 23 16:13:04 1992
To: cindych
Subject: Pls Print
Date: Wed Mar 25 08:43:38 PDT 1992

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>From mikemap Thu Mar 5 17:04:00 1992
To: jeffl
Cc: hankv joachimk lewisl peteh
Subject: Re: CompUSA applications deal - Urgent
Date: Thu, 05 Mar 92 17:05:40 PST

The danger in the two price deal is that we might loose badly.

I dont like the last proposal at all.

What might work is a varient of the challenge theme where we make a big deal on the competitive upgrade right on the spot. Say we offer an office for \$199 if the new buyer will turn in his lotus products to us.

What do you think pete, lewisl, hankv

|>From jeffl Thu Mar 5 16:04:00 1992
|To: mikemap
|Cc: joachimk
|Subject: CompUSA applications deal - Urgent
|Date: Thu Mar 05 16:02:27 PDT 1992

|Mike, as you know we are pursuing an Excel and Word Deal aggressively at CompUSA not necessarily because we want to do an apps deal there but because Lotus is a huge threat to us there. I thought I would pass along another idea that came up in our meeting with CompUSA on Monday.

|Are you willing to entertain a Pepsi vs. Coke scenario where he has two identical machines side by side - one has Lotus/Ami for \$X,000, and the other has Excel/Word for \$X,000 + several hundred more. We could entice the consumer to buy the more expensive bundle, hopefully, by nice POS pieces that show the "Product of the Year" awards, etc. to show the user that there is more value in the more expensive bundle. This way we do not have to compromise on our royalties.

|For people who are price shopping, they will probably buy the Lotus bundle. Themore discerning buyer who has knowledge of spreadsheets and W/P/s may buy the Excel/Word bundle.

|Form a distance it looks like a straight per copy deal, but keep this in mind. If we do this, we will get SOME penetration on these machines. Otherwise, we get ZERO, since all the machines will have Lotus/Ami. We need to get some penetration in the "Club" channel or we'll get left behind. This is one way to do it with reasonable royalties.

|Another way to look at this whole situation is this: With Lotus at 100% of Compudyne's machines we can probably expect 30% penetration with the upgrade switch (this is probably generous form what the product guys say): Given that MS receives about \$70 in gross margin from the upgrade sale, your "royalty" per machine is about \$22 including support. If we took an aggressive approach and said we want 100% penetration on all these bundled systems and offered \$50 including support, you would get more revenue, 100% penetration instead of 30%, and kick Lotus's butt out of there.

|Which program is most interesting to you?

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