

DOJ - Legal

From: Bill Gates
To: Pete Higgins
Cc: Jeff Raikes; Mike Maples; Steve Ballmer
Subject: RE: TIME CRITICAL: Office + Access pricing, SKU's
Date: Friday, April 30, 1993 12:57PM

We must live in a different world when I read about increasing the price of OFFICE. This notion that people don't notice any price differences between hundreds is not correct. Prices are compared. Our goal is not to help LOTUS become more profitable and spread NOTES further.

We will be going down in price because we have failed to differentiate and we have inadequate market shares.

This pricing is not aggressive enough. It is a joke when you consider LOTUS will have a better end user product.

We need to establish a more common view of this pricing situation.

From: Pete Higgins
To: Bill Gates; Steve Ballmer
Cc: Hank Vigil; Jeff Raikes; Marty Taucher; Mike Maples; Mike Negrin; Marianne Allison
Subject: TIME CRITICAL: Office + Access pricing, SKU's
Date: Thursday, April 29, 1993 11:51AM
Priority: High

MikeMap, Jeffr, Mikene, Hankv, and I just got done meeting to decide sku and pricing strategies for Office and Office + Access. Since part of the plan is to have Billg announce this at DBExpo on Tuesday, if you disagree with this you need to do so ASAP.

We decided:

There will be a new Office + Access SKU called "Office Pro". SRP will be \$949, with a street of \$599. We will refine this strategy in the fall, but the basic point is that we do believe a strategy of segmentation of customers and channels with multiple SKU's to address this is a good strategy that leverages our channel leadership and depth and breadth of bits leadership. Announcing next week will pre-empt an anticipated Lotus announcement in the next 2 weeks at either DB Expo or LotusWeek of their acquisition of Approach and inclusion in SmartSuite.

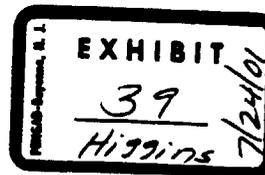
We would also like to announce an increase in the SRP of regular Office to \$795. This will yield a street of \$499 versus the current \$469 street. Rationale is that this is not a meaningful price difference and that Lotus will continue their strategy of pricing \$20-30 below us at street and will follow us up with SmartSuite price.

We will stop the Competitive Upgrade SKU in the retail channel, but it will continue in Select and in the mail order and corporate account reseller channels. We will manage it so that these people will be selling it until introduction of new Office in the Fall.

For the Fall, we have a lot of work to do. Mike Negrin and Hank will be the focal points with general agreement on the following high-level strategies:

Focus on Select, and in particular making Office a very flexible offering in Select Segmentation of the channel and SKU's we offer. WE were all enthused by "small business office", maybe a version wherein Access replaces PPT, maybe an Excel/Word bundle, etc. We will use Office upgrades in the channel in a promotional way, meaning the definition of the Office upgrade will vary in different promotional periods. (We also realize we need to make it simple and executable. As I said, we have work to do).

PLEASE RESPOND ASAP on this mail, particularly the first 2 points as they impact things we need to announce on Tuesday, May 4.



CC: line pls chime in if I misstated anything.

Pete

Page 34

FL AG 0015433
CONFIDENTIAL

MX 7157426
CONFIDENTIAL