

From: Tricia Mayer
Sent: Monday, April 22, 1996 3:45 PM
To: Bengt Akerlind; Ted Hannum
Cc: George Downing; Carl Gullledge; Ken Glass
Subject: RE: NEC co-labelling opportunity

Importance: High

Hi Bengt and Ted -
Ken briefed me on the NEC co-labelling opportunity and I have 4 concerns with this idea given the information I currently have on the subject. I realize you will go to NEC tomorrow to discuss this and other issues. I'd like to discuss this with you later today if possible.

Here are my concerns:

- 1 - We don't want Office bundled on PCs sold through retail. It creates channel conflict and hurts our Office business. Better idea would be to bundle Word and/or Excel with SORG & Internet specific offerings. This way the customer is more apt to upgrade to Office at retail and we have a great story for SORG & Internet. Putting a P/120 bundled with Office in a retail outlet is not a 'targeted' promotion. It will just serve to ignite a price war and antagonize other OEMs (and our retail partners).
- 2 - We know only 10% of SORGs buy at retail, especially the 1-5 employee SORG variation. These customers are more likely to buy through local 'computer speciality stores' or SSBs because they need the service element of the 'solution.' What is NEC's rationale for delivering this program through retail? Have they explored other options?
- 3 - NEC is a minor player in the market with a history of not partnering well with MS on joint promotions. I'm not convinced we want to spend significant time/money here when there is more to be gained by focusing on the SSB channel, direct OEMs and 1-3 top OEMs. (SORGs buy 14% direct mail, 4% warehouse, 6% computer discount store, and the majority by from SSBs). However, I'd like to explore our options for joint SORG promotions given NEC's well developed (& staffed) plan.
- 4 - It is not clear (to me) what infrastructure is in place at NEC to understand and develop the SORG market. What % of NEC business right now goes into businesses with 1-99 employees? What is their market share? What are their long term goals? What are their strategies and plans in addition to a retail push? What are they doing to address the other 90% of the channel where SORGs purchase PCs? Why not do a focused effort which targets the SORG instead of a shotgun approach through retail? We need these questions answered before proceeding.

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