From: Karen Lee
Sent: Tuesday, March 07, 2000 1:40 PM
To: Sean Pickton
Cc: Karen Lee
Subject: RE: WAH pricing for add-ons

see comments below

-----Original Message-----
From: Sean Pickton
Sent: Tuesday, March 07, 2000 1:31 PM
To: Karen Lee
Subject: RE: WAH pricing for add-ons

hmmm.

it seems strange to me that a customer qualifies for a select level based on EA desktops. for example if a customer has 25k EA desktops and they want to purchase 100 project licenses, they shouldn't qualify for select d pricing on their project licenses. for the ea add-on the customer should qualify for the volume discount level (1-99, 100-400, 500-1999, 2000-4999, and 5000+) based on the number of add-on licenses that they are purchasing, not based on the total number of seats in the organization. if a 25k desktop company wants to purchase 1000 WAH licenses they should fall into the 3rd EA add-on group (500-1999). it seems like the same purchase under select should correspond w/ level A pricing. if this isn't how the pgm works then i think that there are some non-price related issues (as well as price issues) that need to be addressed. *[Karen Lee]* we have always given a Select customer who is also an EA customer a price level based on thier EA desktops(this was part of 4.0 and 4.1). When we designed EA and Select 5, we are giving a Select customer who is also an EA customer the option to set thier Select price level based on thier EA desktops or they can forecast. Therefore, an enterprise customer has the choice of whether to purchase additional products via Select or the EA which ever is best for them. The way we are positioning additional products as part of the EA is that it is for a customer who is purchasing a large qty of licenses upfront at signing of thier EA so they get the benefit of paying in 3 annual installments. If an EA customer is not certain of the number of licenses they want to purchase of an additional product and they will want to purchase them at frequent and smaller time periods during the term of the enrollment, then they would be better off purchasing thru Select.

to be clear, the volume that we're talking about here is small, currently MSS shows <50k WW. i'm fine w/ changing the WAH pricing for EAs so that it is equal to the WAH price for Select (or changing the WAH price for Select so that it is equal to WAH for EAs :)). if the two are equal then the reps can use empowerment to tilt the scales if needed. *[Karen Lee]* we will probably have to adjust the EA prices to be more in line with Select. i agree the volume we are talking about is small but we still have to be able to have a Field rep and LAR explain it.
...S

-----Original Message-----
From: Karen Lee
Sent: Tuesday, March 07, 2000 1:09 PM
To: Karen Lee; Sean Pickton
Subject: RE: WAH pricing for add-ons

Sean, specifically focusing on your pt 2 below, where a customer is an EA customer as well as a Select customer and is basing their Select level off of thier EA desktops in all cases the Select pricing is going to be better for them. For example, if a customer signed an EA for 10,000 desktops, thier Select level is going to be set at Level C. Using Office WAH, the customer is evaluating purchasing Office WAH under the EA for 1000 licenses vs purchasing under Select. Under the EA thier price level for 1000 licenses will be level C and if they purchase it under Select, their price level will be level D. The price for EA would be $43.16 per year or $129.48 for 3 years of coverage and under Select it would be $106.00. In this case the customer is paying almost $24 more in the EA. The customer is covered for upgrades to Office under the EA so will never have to purchase an upgrade or UA under Select for the Office license.

I know you didn't do the WAH pricing, but as you can see there seem to be a few flaws in the logic.

Karen

-----Original Message-----
From: Karen Lee
Sent: Tuesday, March 07, 2000 10:37 AM
To: Sean Pickton
Cc: Karen Lee
Subject: RE: WAH pricing for add-ons

thanks, see comments below

per our previous conversation when i picked up the additional product pricing the WAH prices had been populated. that said, i do see a few differences that may be the driver.

(1) the volume levels for EA add-on and Select are significantly different. volume levels for EA add-on are 1-99, 100-400, 500-1999, 2000-4999, and 5000+. if memory serves, the new Office licenses associated w/ Select are 500-3999, 4000-9999, 10000-24999, and 25000+. so Select A and B would be comparable to the highest EA add-on levels. this narrows the gap, but there is still a ~$10 delta. *[Karen Lee]* the levels you are stating are the levels that a customer would get if they also have an EA to set thier Select level. The Select levels where a customer has no Select agmt are 1000 pts-A, 8000 pts-B, 20,000 pts-C and 50,000+-D.

(2) my understanding is that the WAH license has the same coverage under as the corresponding Select desktop at work, correct? *[Karen Lee]* the way it works is that if you have purchased a License for Office 97 under Select and you also want to give your employees the right to use Office 97 at home for work related purposes you would buy Office WAH. When Office 2000 comes out the Select customer would either have to purchase Office 2000 Upgrade or they would have to purchase Office UA to get Office 2000, they do not have to purchase a new Office WAH license since WAH is versionless and goes with the underlying license. if that is the case, then you have to remember that the vast majority of desktops in the Select program are not UA desktops. only those WAH licenses where the desktop at work is covered under UA (~10%) should be getting upgrades. b/c all of the EA WAH desktops qualify for upgrades this would infer that there is more value in the EA WAH license. *[Karen Lee]* good point

(3) EA desktops are also subject to empowerment whereas Select desktops aren't. *[Karen Lee]* correct

hope that this helps.
..S

Hi Sean, my understanding of the way the additional products were priced (although this differed slightly for some products) was the following:

year 1: std license + 2 years UA

year 2: std license + Upgrade

year 3: std license

For Work at Home products they include upgrades by default(i.e. as long as the customer has purchased the underlying license and they have purchased the WAH for the same product, if for example the underlying license was Office 97 and the customer also had UA for Office then the WAH license for Office the customer purchased when they purchased Office 97 is also covered for Office 2000 , they do not have to purchase another WAH license for Office 2000.)

Therefore, if you look at the WAH EA pricing for year 1 and you multiply that by 3 which is what they will pay over the 3 years, the customer is paying more than what they would pay under Select for the same license.

Can you take a look at this and let me know how the WAH EA pricing was dervived, I wasn't involved in the pricing and am getting questions on this which I cannot answer.

thx
karen

<< File: Office WAH Prices.xls >>

Here is what I know about work-at-home (WAH) pricing.

Core of analysis was based on value to customer in WAH scenario relative to alternative
purchase mechanisms (research was done specific to FP). FP group also did work to determine
market interest and overlap w/ existing market. Based on the preceding a decision was made to
price at 80% of VUP. Customers can only purchase WAH for employees that have the product on
their PC at work. This clause ensured that we didn't create parallel licensing streams. If the
employee's desktop is on Mntc, WAH is also covered.

I'm trying to get hold of a more detailed view of exactly how this was put together, but for now this
is all that I have.
      ...S