

From: Kellee McCusker [kelleem]
Sent: Wednesday, March 23, 1994 10:23 AM
To: Sandi Thomas; Tom Reeve
Subject: RE: Patty's call with Amezcua

He views this as very binary. You get the business and hurt the competitor or they hurt us.
Pick one.
It's a done deal now as apparently the account manager even asked "if we went to \$3 would we get this business" and PS/1 said NO b/c their P&L was already approved at \$0 for US and \$7 for Int'l. It does show you that Joachim WILL go to \$3 to win. We need to keep this in mind always.

From: Tom Reeve
To: Kellee McCusker; Sandi Thomas
Subject: FW: Patty's call with Amezcua
Date: Wednesday, March 23, 1994 6:41AM

Not sure what to draw from this.

From: Joachim Kempin
To: Tom Reeve
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 22, 1994 4:56PM

You don't.

From: Tom Reeve
To: Jeff Lum; Joachim Kempin; Kellee McCusker; Mark Baber; Mary Jo Newton
Cc: Patty Stonesifer
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 6:09PM

I think at \$3 we hurt ourselves more than we hurt Spinnaker.

From: Joachim Kempin
To: Jeff Lum; Kellee McCusker; Mark Baber; Mary Jo Newton
Cc: Patty Stonesifer; Tom Reeve
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 4:19PM

I am late catching a plane:therefore short:
IBM did not tell us anything about beeing pissed because we are doing consumer biz with Compaq. Relationship, hard to judge for me. Take the biz at \$3 and hurt a competitor.

From: Kellee McCusker
To: Jeff Lum; Joachim Kempin; Mark Baber; Mary Jo Newton
Cc: Patty Stonesifer; Tom Reeve
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 4:19PM

Except that when Spinnaker was at \$3 and we were at \$6, the delta was not significant enough for them to make the change. They will pay "the premium" as they see it. So, since Spinnaker is at \$0, they are saying we would need to be at \$3 to even be considered. Sorry that was not clear in my mail. What do you recommend we do?

From: Mark Baber
To: Jeff Lum; Joachim Kempin; Kellee McCusker; Mary Jo Newton
Cc: Patty Stonesifer; Tom Reeve
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 2:09PM

Kellee - if all the below is in fact true then IBM should not be interested in licensing Works at even \$3.00.

markba

From: Kellee McCusker
To: Jeff Lum; Joachim Kempin; Mark Baber; maryjon
Cc: Patty Stonesifer; Tom Reeve

MS-PCA 2603210

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Subject: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 1:34PM
Priority: High

Patty just gave me an update on her call with Robert. The call did not go well in that PS/1 firmly believes that there is no difference in Works packages out there, therefore decision based only on price. Without a \$3 Works price, this US business is lost to Spinnaker for now. Price is king.

I don't think we should go to a \$3 price. I know this business is binary – but it sets a whole new precedent in Works pricing – soon PB, Compaq, and our other big players will be there and this significantly affects our revenue. Spinnaker is a shitty product – they are desperate, we need to win this battle on the relationship and value fronts. From a revenue standpoint, long term it would hurt us to go down across the board and that's what has happened for the last 3 years. Going to \$3 fixes a short term problem, but hits us harder in the long term.

I think it has hurt us that we don't have the right relationship with PS/1. No reflection on Mary Jo as she is new to this biz and only 2 months on this account. Robert's Lexington group only cares about product engineering and has no marketing. Marketing is in Atlanta, a group which is so out of touch with the channel and overall it is a very dysfunctional situation. By penetrating marketing and management groups, we will be able to better establish our value as premium products, get them in touch with their channel, HELP them market, etc.. I think they may need to learn the channel returns and PSS cost experience themselves. PB & Compaq did and they came back to form committed partnerships with us. It is true that WORKS will not make someone buy a PC, but if they can't use the pc when they get it home or it's hard – they return it or call the OEM more.

We still win with Encarta on PS/1 in the US and Works Intl.- so we are not shut out completely.

Other comments from Patty's conversation:

- Robert knows Maples, maybe we should have him call? maybe not, Patty is not sure that this will help the situation.
- PS/1 pissed that we are marketing with Compaq and makes them want to have a different works product.
 - apparently communicated this to Joachim last week
- Their research shows a works is a works is a works and customers do not care
- They don't believe returns or support costs will go up with spinnaker.
- Interested in marketing, but PRICE rules.
- Pissed that we offered Encarta derivative bundle at \$8 if they kept Works on these systems. Feel this is tvina & illegal.

**Privilege Material
Redacted**

So at this point, we have still lost this business in the US for the short term. Joachim, I know you are going out of town to London, but would like your thoughts and your team's thoughts on this situation. –Kellee

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