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From:
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Subject:

Marc Bauman
Monday, December 15, 1997 12:38 PM
Joseph Krawczak; Dean Kain; Kunju Kothari; Morris Kremen (LCA); Lars Johansson
Next version of Enterprise Agreements - Draft program spec


EA Phase II Spec
12-15.doc

As you are aware there were a couple of deliverables that were not included in the first phase of Enterprise Agreements. Here is my first pass at the program spec for the next release of Enterprise Agreements.

Recommendations include:

- expanded product offering - to include servers. Dean, based on an earlier conversation I believe there may be an impact on royalties
- pricing - deliver pricing to the Large Account Resellers so they can price Enterprise Agreements in the 1-5K desktop space (e.g. breadth segment).

The work - at - home initiative is being developed under a separate program specification (providing customers with ability to use DAD products at home).

Please provide comments on this document as it impacts your respective areas. I would appreciate any feedback by Friday morning (12/19).

Thanks.
Marc

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To: Enterprise Agreement Task Force
From: Marc Bauman, Volume Licensing Solutions
Date: December 15, 1997
Re: Enterprise Agreements Phase II - DRAFT

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I. Background

The first version of Enterprise Agreements launched on November 17th. It expanded the LARs ability to identify & qualify opportunities over the earlier custom agreement offering. Additionally it provided the LAR with processes designed to engage more actively with both Microsoft and the customer in delivering proposals and closing agreements in the breadth segment. Areas that this release of Enterprise Agreements will address include LARs pricing ability, integrated services invoicing and expanded product offering to include servers.

The purpose of this memo is to provide the reader an overview of the enhancements being targeted for the next release of Enterprise Agreements. The initial draft of this program specification explains the current issues, objectives & opportunities, program enhancements, selling process, risks, timeline and next steps:

1.1 Problem/Issues

- Many ECU customers want an integrated desktop price that includes services. Additionally, they want to receive one invoice for licensing and services.
- Customers also want the ability to acquire servers via their Enterprise Agreement.
- LARs want ability to price Enterprise Agreements.

II. Objectives

2.1 Goals

- Increase Enterprise Agreement sales capacity by enabling LARs to price & close deals
- Improve customer satisfaction by delivering single desktop price that includes licensing and services via an integrated invoice. Additionally provide customers with option to acquire servers via Enterprise Agreements.

III. Overall Timeline

Action	Date
Business scope document routed for review	Dec 4
Task force meets to refine scope document	December 8
Program specification draft routed for review	December 10
LAR feedback on services	December 19
LAR feedback on pricing	January 9
Program specification finalized	January 11
Pilot rollout of profiling assistant to key LARs	January 11
Training & sales materials created & implemented	February 2
Field & Channel Communication	February 2

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IV. Enterprise Agreement Offering

4.1 Key Features

4.1.1 Product offering

An additional offering will be made available to provide customers with unlimited quantities of PBS BackOffice servers. The "server sku" will include the standard Enterprise Agreement desktop plus rights to BackOffice server software. The "server sku" will be made available in the same languages as the standard desktop sku.

Fulfillment: Customers will receive access to the BackOffice code via the standard Select CD shipment.

There will be no changes to the standard product offering in this release. The standard offering remains Office/OfficePro, Win95/WinNTW and BackOffice CAL.

Items to discuss: server products to include, quantity, how to price, royalty issues

4.1.2 Pricing

Pricing continues to be based on a customer's prior investment in Microsoft products as well as the overall volume of the commitment. In this release Large Account Resellers will be able to price Enterprise Agreements in opportunities with 1-5K desktops or employees. This size customer represents approximately 85% (~7,800) of all ECU customers worldwide (~9,000).

In order to support this requirement and make the process as consistent as possible for both the Microsoft field and the channel we propose creating an Enterprise Agreement price list. A portion of the price list will be made available to the LAR community and will contain the four price points in the 1-5K price range. All of the price list containing all 16 price points will be made available only to the MS field. LARs will need to determine the appropriate price point for a customer so profiling the customer will be an integral part of this process.

Recommendation: Leverage VLOR Qualification Checklist and Profiling Assistant to determine customer's prior level of investment in MS products and determine price point on standard EA price list

Standard LAR EA price list will contain four price points. It will be distributed at the same time Select price lists are communicated. Price lists will be require for every country/language in which Select 4.0 price lists are generated. Channel Price Sheets will no longer exist

In order to communicate any discount off ERP an amendment will be required to the Enterprise Agreement Enrollment that indicates the appropriate discount.

LAR HQ will have access to VLOR which is where they will gain access to the EA Price List, Qualification Checklist and Profiling Assistant. The Profiling Assistant will have the capability to print an Enterprise Agreement Worksheet that the LAR RSP can use in determining the customer's price.

The following are the four price points (U.S. ERP):

Investment level 76+%: \$280
Investment level 51-75%: \$300
Investment level 26-50%: \$320
Investment level 0-25%: \$340

The standard Microsoft field EA price list will contain all 16 price points. Price lists will be require for every country/language in which Select 4.0 price lists are generated. Channel Price Sheets will no longer

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exist. In order to communicate any discount off ERP an amendment will be required to the Enterprise Agreement Enrollment that indicates the appropriate discount.

License Types

Same as for the standard desktop offering. There will be no skus for version or competitive upgrades. A multi-language platform offering will need to be created. The offerings are version independent and include the license and Upgrade Advantage.

International Pricing

The LAR will be able to choose a one sku associated with a specific language or one sku associated with the multi-language sku (e.g. localized).

4.1.3 Contract Extension

No change to the offering or process. The standard term will be three years with an optional one year extension. Customers must request, to Microsoft, an extension no later than 60 days prior to expiration.

4.1.4 True-up

No change to the offering or process. Enterprise Agreements allow customers to reconcile their license quantities with the number of new desktops or employees on an annual basis, via a process called the "True-up".

4.1.5 Services

In this release of Enterprise Agreements Microsoft will deliver a defined exception process to the Business Desk and field that can be used in delivering an integrated desktop price to the customer that includes licenses and the MS services contracted by the customer..

Ultimately it is the goal to provide the customer with an integrated invoice for licenses and services. This may require the LAR to integrate multiple invoices or Microsoft may be able to provide an integrated invoice to the LAR if Microsoft "skus up" services.

Microsoft will be responsible for the actual delivery of the service to the customer. The LAR addendum will need to be modified to reflect that should the customer not pay the LAR due to the failure of Microsoft to deliver services the LAR will not be held responsible for payment.

Microsoft will provide the LAR with a transaction fee on each annual payment includes services. LARs will only be eligible for the transaction fee on Enterprise Agreements that require invoice integration.

The customer will sign an Enterprise Agreement with Master Services Addendum, have single negotiation support and will receive a single invoice from the LAR that includes MS delivered services.

Customers with fewer than 5,000 desktops or employees should contract with a Microsoft Authorized Support provider for delivery of Microsoft "branded" support services.

4.2 Sales & Approval Process

4.2.1 Flow Chart of Sales Process

(Breadth - customer with 1,000 - 4,999 Desktops/Employees):

STANDARD

- 1) LAR RSP or MS Account Manager identifies a potential EA candidate and using the Qualification Checklist or Enterprise Agreement Worksheet determines commitment and install base information.

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- 2) LAR RSP or MS Account Manager determines the customer's prior investment level based on information gathered from the customer as indicated on the Qualification Checklist or Enterprise Agreement Worksheet. Details of the customer's installed base of Microsoft products are entered into the Profiling Assistant or onto the Enterprise Agreement Worksheet from the Profiling Assistant and the user follows the necessary steps to calculate the correct commitment level for the Agreement. LAR maps commitment level to the appropriate price point on the EA price list. The Enterprise Agreement Worksheet will be attached to the Enterprise Enrollment.
- 3) LAR submits pricing to the customer through their existing bid procedure. Customer and LAR negotiate pricing based on the corresponding commitment level calculated in Step #2.
- 4) LAR completes the agreement package that includes the following:
 - Select 4.0 Master Agreement and Master Sign-up Form
 - Enterprise Amendment to the Master – extends the term to 36 months and modifies the price level for the standard pools on the Master
 - Enterprise Enrollment Agreement and Enrollment Sign-up Form - this will include entering the correct reference prices for the Basic Enterprise Package, the reference prices for the customer's True-up, and detail about the customer's commitment level and install base.
 - Enterprise Agreement Worksheet – attached to the Enrollment Agreement
- 5) LAR provides all Agreement forms to the customer for their review and signature.
- 6) LAR signs the Master & Enrollment Sign-up Forms and forwards completed documents to Microsoft Operations (U.S and ROW). In Europe the LAR LAR signs the Master & Enrollment Sign-up Forms and forwards completed documents to Microsoft EOC.

(Depth - customer with 5,000+ Desktops/Employees):

STANDARD

- 1) MS account manager or LAR RSP identifies a potential EA candidate and using the Qualification Checklist determines commitment and install base information.
- 2) If the customer qualifies as a potential EA account, the LAR HQ licensing contact submits to MSOT. Since the opportunity is a depth account MSOT assigns to a field-based depth rep and notifies the LAR.
- 3) Microsoft Account Manager enters details of the customer's installed base of Microsoft products into the Profiling Assistant or onto a worksheet from the Profiling Assistant and the user follows the necessary steps to calculate the correct commitment level for the Agreement. MS account manager maps commitment level to the appropriate price point on the EA price list. The Enterprise Agreement Worksheet will be attached to the Enterprise Enrollment.
- 4) Once the price point is determined, the MS Rep. submits the signed copy of the EA Worksheet to the LAR(s) so they are able to provide bid pricing to the customer. ECU Sales Manager must sign the worksheet.
- 5) After the customer has agreed upon pricing, the LAR works with the customer to complete the agreement package that includes the following:
 - Select 4.0 Master Agreement and Master Sign-up Form
 - Enterprise Amendment to the Master – extends the term to 36 months and modifies the price level for the standard pools on the Master
 - Enterprise Enrollment Agreement and Enrollment Sign-up Form - this will include entering the correct reference prices for the Basic Enterprise Package, the reference prices for the customer's True-up, and detail about the customer's commitment level and install base.

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- Enterprise Agreement Worksheet – attached to the Enrollment Agreement
- 6) LAR provides all Agreement forms to the customer for their review and signature.
 - 7) LAR signs the Enterprise Agreement Worksheet to verify they agree to the pricing in the contract.
 - 8) LAR signs the Master & Enrollment Sign-up Forms and forwards completed documents to Microsoft Operations (U.S and ROW). In Europe the LAR LAR signs the Master & Enrollment Sign-up Forms and forwards completed documents to Microsoft EOC.

(Any discounts provided to a customer) – provided as exceptions only

NON-STANDARD

- 1) Based on the size of the customer, the LAR will follow the outlined procedures above until a customer requests to negotiate a better ERP price.
- 2) The LAR must engage a Microsoft Representative to work with the customer to determine if additional discounts can be extended. As a rule, MS will not negotiate pricing with customers who have less than 5000 PCs or employees..
- 3) For all accounts the MS Account Manager will determine the negotiation strategy and engage the necessary resource (Business Desk).
- 4) After the discount is negotiated and agreed to by the customer and MS Account Manager, a standard Amendment to the Enterprise Enrollment Agreement is drafted by the Business Desk which includes the discount percentage off of the ERP listed in the Agreement.
- 5) A revised Enterprise Agreement Worksheet reflecting the new ERP price to the LAR is generated. MS General Manager/ECU District Manager signs Enterprise Agreement Worksheet in order to acknowledge the discount. This is not a legally binding signature, but is to insure the GM/ECU DM have approved the discount percentage.
- 6) The MS Account Manager routs Amendment along with the rest of the agreement package to the LAR.
- 7) LAR works with the customer to sign the Amendment to the Enrollment at the same time the Agreement paperwork is signed.
- 8) LAR signs the Amendment to the Enterprise Agreement.
- 9) LAR signs the Master & Enrollment Sign-up Forms and forwards completed documents to Microsoft Operations (U.S and ROW). In Europe the LAR LAR signs the Master & Enrollment Sign-up Forms and forwards completed documents to Microsoft EOC. LAR signs Enterprise Agreement Worksheet and forwards to Operations or EOC with rest of package.

4.2.2 Approval Process

In the customer segment that the LARs will be responsible for pricing & closing Enterprise Agreements the goal is to sign standard Enterprise Agreements. Microsoft does not want to negotiate exceptions to pricing or terms & conditions in this smaller size customer space. In the event that the LAR needs to engage Microsoft for assistance in closing a contract they should contact their local Microsoft LAR Representative.

V. Role of Large Account Reseller

5.1 Involvement in Selling Process

- Customer Size 1-5K Desktops/Employees:

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- Identify, qualify & price Enterprise Agreement opportunities.
- Deliver proposal and agreements
- Quote final pricing to customer
- Sign agreements, Channel Price Sheet and route to MS Operations.
- Customer Size 5K+ Desktops/Employees:
- Identify & qualify Enterprise Agreement opportunities
- Work with MS to deliver proposal & agreements. Microsoft develops pricing.
- Quote final pricing to customer
- Sign agreements, Channel Price Sheet and route to MS Operations
- Integrate Premier & MCS invoices into one customer invoice that also includes licensing

VI. Revenue

6.1 Revenue Allocation

As with the current version of Enterprise Agreements revenue will be allocated based on the standard Select model that follows the 80/20 Rule. In order to facilitate securing country usage for these licensing agreements, Operations will not process an Enterprise Agreement without country usage information. This information will be provided to them as part of the Channel Price Sheet.

Action items:

- a) Revenue allocation will need to be determined for the "server sku" in order to allocate a specific percentage to the B/O Server product group.
- b) If channel price sheet not required not to obtain country usage information

6.2 Revenue Recognition

Revenue recognition will occur at the time an Enterprise Agreement is invoiced to the Large Account Reseller. This represents no change from standard Select Agreements.

6.3 Product Group Revenue Recognition

Product groups have determined that revenue, for the server sku, will be allocated as follows: TBD

No change for the standard desktop offering: Office/OfficePro 50%; Win95/WinNTW 30%. BackOffice CAL 20%.

Action item:

- a) Finance to work with PBS to determine server sku revenue recognition percentages.

VII. Legal

7.1 Agreements

The standard Select Master Agreement will form the foundation of the Enterprise Agreement contract. Customers signing an Enterprise Agreement will sign the following documents:

Select Master Agreement with Amendment to the Master: customers will elect all three product pools in the Select Master Agreement. It will also eliminate the 6 & 12 month performance status checks as the initial order will satisfy the level commitment. Additionally, the amendment extends the Select agreement from two to three years. The Select Master Agreement contains a built-in enrollment that enables the customer to acquire non Enterprise Agreement product.

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Enterprise Agreement Enrollment: similar to today's enrollment will contain payment schedule, list of products covered by agreement, current install base by product, True-up pricing and renewal pricing.
Additional Standard Select Enrollment (Optional): if customers have divisions not participating in the Enterprise Agreement enrollment they may sign a standard enrollment that is governed by the Select Master Agreement. Standard Select rules apply including the 500 unit minimum enrollment.

All of the above documents will be made available in hardcopy to the LAR so that they can complete (similar to process for distributing standard Select agreements).

7.2 License Confirmations

A single license confirmation will be issued at the end of the agreement that reflects by specific products (e.g. OfficePro, WinNTW and B/O CAL) the total number of licenses & upgrades that the customer is entitled to run.

Action item:

- a) determine the number of servers to represent on the license confirmation

7.3 Channel Price Sheet

Eliminate in favor of Enterprise Agreement Worksheet.

7.4 Fulfillment

In this release there is no change to the fulfillment model. Enterprise Agreement Enrollments will receive the standard Select CD kits.

Long term: Since the Enterprise Agreement Enrollment only requires code for Office, OfficePro, Windows 95, Windows NT Workstation and the BackOffice server we propose delivering CDs that only contain that set of core products to the Enrolling Customer. CDs should mirror the standard language groupings for the existing Select CD-ROM kits.

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