

Subject: details on new volume discount

Date: Wed Oct 02 07:36:56 PDT 1991

Brad,

Please give me the details of the new plan. I don't want any of my account managers to be blindsided.

Thanks

From: suszndi
To: bradc; joachimk; johnj; richardf; ronh
Subject: CompuAdd Meeting
Date: Thu, Oct 3, 1991 9:12AM

Date: Thu Sep 26 09:11:14 PDT 1991

Johnj and I visited CompuAdd on Tuesday, 1 October. Our objectives:

- *Confirm whether the CompuAdd Express/DRI deal was inked. (It is.)
- *Understand the decision process and why Microsoft was not informed of the opportunity. Express Microsoft's concern (!!!) about our partnership with CompuAdd.
- *Identify next steps for regaining the business.

We had separate meetings with George Martin, Director of R&D (#2 man to CEO Bill Hayden), and Rick Krause, newly appointed President of CompuAdd Express. Rick negotiated the current agreement with Microsoft. What we discovered:

The Decision Process & Partnership

CompuAdd Express is a totally separate company from CompuAdd. The decision to go with DRI is final. We believe CompuAdd Express has committed to a 25K volume at around \$9/unit. The decision was made in a very short time frame and solely by Rick Krause with approval by Bill Hayden. Rick went with DRI because it is cheap (under \$10/unit), and it offers a way to differentiate (???) their systems from both their competitors and Compuadd. Rick didn't contact Microsoft because he assumed he already knew what our best price was based on the CompuAdd agreement negotiations, and he didn't see any point in getting into a bidding war. During our meeting, it became clear that Rick made this decision with no thought to key issues such as CompuAdd's existing pre-paid balance (over \$800K and growing!!), added support costs and customer acceptance of DRI -vs- MS DOS. He assumed that he could provide MS-DOS on special request by getting the MS-DOS via "distribution." He seemed surprised and concerned to learn that MS-DOS is available only via an OEM license.

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Our meeting with George Martin went well. We stated that MS has previously considered CompuAdd a strategic partner, and that the move to DRI makes us wonder whether there was a partnership at all. "Why would a 'partner' not give us an opportunity to do business?" We raised the issue of the pre-paid balance, and asked why CompuAdd did not use this opportunity to reduce their (non refundable) pre-paid balance.

We also brought to their attention that the market will not separate "CompuAdd" from "CompuAdd Express"; any negative response to DRI and/or the CompuAdd Express line will accrue to both parties--CompuAdd *and* CompuAdd Express.

George Martin had no immediate response to either issue; he stated that it had not been CompuAdd's intention to jeopardize the relationship. He took notes.

Plans for Regaining the Business

1. Get Rick Krause's commitment to do these things:
 - Meet with me each time I visit CompuAdd (once per month or more).
 - Inform me of any press releases coupling DRI and CompuAdd Express.
 - Put me on their mailing list.I gained these commitments at the end of our meeting.
2. Explore these possibilities:
 - Find a way for them to recoup what they have paid to DRI, then license with MS so that not a single DRI machine ever ships.
 - Get MS-DOS on the higher-end machines, relegating DRI to 286 and lower machines. Contain DRI in that "box." This may be possible since their DRI agreement is based on a quantity- rather than a quantity over time-commitment.
 - Convert them on their next catalog drop (March 1992).
3. Ensure that they are not playing both sides in a gray-market or piracy manner. I will call their sales line at least twice per month to confirm their selling methods.

I ask for suggestions from OEM management and account managers for additional ideas on how Microsoft can regain this business.

The bottom line: Microsoft has its work cut out to reverse this poorly considered (stupid) decision.

From: georged
To: brade; claudiar; darinf; richba; scoot; sergiop
Cc: richardf
Subject: RE: easy dos issues
Date: Thu, Oct 3, 1991 5:38PM

Date: Thu Oct 03 17:37:48 PDT 1991

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