

# Document Separator Sheet

Plaintiff's Exhibit

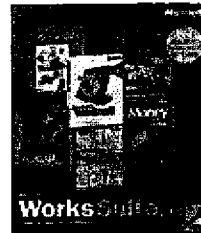
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Comes v. Microsoft

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# Office 10 ESL Competitive Review



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Office Marketing  
September 2000

MS/CR 0051547

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## Purpose

Establish basis by which to set the estimated retail pricing for the end user subscription licensing of **Microsoft Office 10 Small Business Edition** and **Microsoft Office 10 Professional Edition**.

## Scope

For purposes of this analysis vertical market products were excluded. These include specialized versions of WordPerfect Office for the legal community, WordPerfect Office with voice recognition, Microsoft Office Premium Edition and Microsoft Office Developer Edition. Standard and upgrade priced versions were analyzed.

Potential cannibalization from both existing Microsoft products and complete product SKUs are reviewed.

## Pre ESL Market Situation

There are currently nine office productivity suites marketed to the small business and home audiences. These nine productivity suites range in street price from \$84.00 to \$600. Major players in this space include Corel with WordPerfect Office Suite, Lotus with SmartSuite, and Microsoft with Works Suite and Microsoft Office 2000.

Competition dominates the SKU line-up in the sub-\$150 price point with the exception of Works Suite 2001, which has an ERP of \$109 and an average street price of \$93.98. Only Microsoft Office offers a consistent cash rebate program.

## Product Comparison

	MS Office SB	MS Office Stn	MS Office Pro	MS Works	MS Works Suite	Corel Family	Corel Suite SB	Corel Suite Stn	Corel Suite Pro	Lotus Suite
Word Proc	√	√	√	√	√	√	√	√	√	√
Spreadsheet	√	√	√	√		√	√	√	√	√
Contact	√	√	√	√			√	√	√	√
Schedule	√	√	√	√			√	√	√	√
Presentation		√	√				√	√	√	√
Database			√	√					√	√
Financial					√	√	√			
Mapping					√					
Reference					√	√				
Graphics					√	√	√			
Publishing	√		√		√	√	√	√	√	√

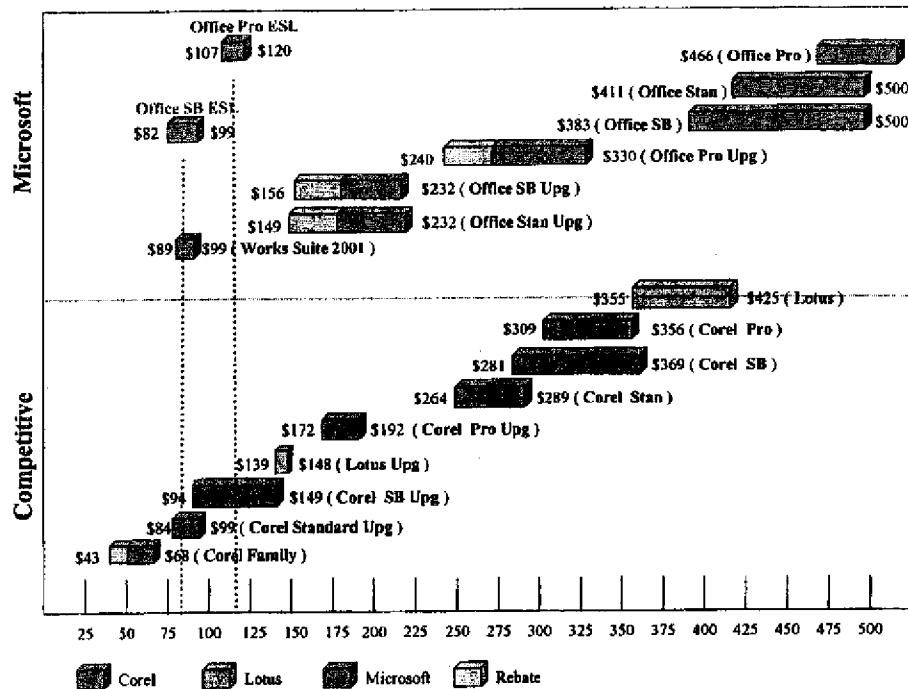
MS/CR 0051548

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## Pricing Comparision

Price comparision completed 9/20/2000

<u>Product</u>	ERP	Rebate	Street Low	Street High	Street Mean Avg.	Mean Avg. - Rebate
Office SB Upgrade	\$249.00	\$40.00	\$196.95	\$231.95	\$219.46	\$179.46
Office Standard Upgrade	\$249.00	\$40.00	\$189.90	\$231.95	\$209.46	\$169.46
Office Pro Upgrade	\$349.00	\$40.00	\$279.99	\$329.99	\$299.80	\$259.80
Office SB	\$499.00	\$40.00	\$383.99	\$499.99	\$431.37	\$391.37
Office Standard	\$499.00	\$40.00	\$410.99	\$499.99	\$440.17	\$400.17
Office Pro	\$599.00	\$40.00	\$459.99	\$599.99	\$504.97	\$464.97
Works Suite 2001	\$109.00		\$89.95	\$99.99	\$93.98	\$93.98
Corel WordPerfect Family Suite	\$69.00	\$20.00	\$63.99	\$68.59	\$65.86	\$45.86
Corel WordPerfect Office 2000 Pro Upg	\$199.00		\$172.99	\$192.95	\$184.47	\$184.47
Corel WordPerfect Office 2000 Pro	\$399.00		\$309.00	\$356.95	\$339.47	\$339.47
Corel WordPerfect Office 2000 Stan Upg	\$99.00		\$84.99	\$99.99	\$93.14	\$93.14
Corel WordPerfect Office 2000 Stan	\$299.00		\$264.95	\$289.95	\$273.47	\$273.47
Corel WordPerfect Office 2000 SB Upg	\$149.00		\$94.99	\$149.99	\$114.97	\$114.97
Corel WordPerfect Office 2000 SB	\$349.00		\$281.95	\$369.95	\$314.22	\$314.22
Lotus SmartSuite Millennium Upg	\$159.00		\$139.99	\$148.95	\$144.72	\$144.72
Lotus SmartSuite Millennium	\$472.00		\$355.99	\$424.95	\$387.17	\$387.17



MS/CR 0051549

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## Volume Comparison

Volume comparison data is based on last twelve months of sales through all channels tracked by PC Data. Two products, Corel Office SB and Corel Family Suite have been in market for six and nine months respectively. These product sales volumes were forecasted based on a twelve month cycle.

<u>Product</u>	<u>ERP</u>	<u>T12 \$</u>	<u>T12 Units</u>	<u>Avg/\$</u>	<u>Percent of Market</u>
Office SB Upgrade	\$249.00	\$12,852,349	57,031	\$225.36	4.57
Office Standard Upgrade	\$249.00	\$52,570,771	244,175	\$215.30	19.57
Office Pro Upgrade	\$349.00	\$67,304,273	219,523	\$306.59	17.59
Office SB	\$499.00	\$6,000,678	13,201	\$454.55	1.06
Office Standard	\$499.00	\$29,661,647	65,319	\$454.11	5.24
Office Pro	\$599.00	\$43,176,878	86,094	\$501.51	6.90
		\$211,566,596	685,343		54.93
Works	\$54.95	\$8,452,688	175,344	\$48.21	14.05
Works Suite 2001	\$109.00	\$20,629,467	222,338	\$92.78	17.82
Corel WordPerfect Family Suite	\$69.00	\$2,060,923	30,351	\$67.90	2.43
Corel WordPerfect Office 2000 Pro Upg	\$199.00	\$2,487,562	13,794	\$178.89	1.11
Corel WordPerfect Office 2000 Pro	\$399.00	\$733,519	2,191	\$334.75	0.18
Corel WordPerfect Office 2000 Stan Upg	\$99.00	\$8,352,542	85,665	\$97.50	6.87
Corel WordPerfect Office 2000 Stan	\$299.00	\$3,712,282	17,574	\$211.24	1.41
Corel WordPerfect Office 2000 SB Upg	\$149.00	\$282,937	2,206	\$128.24	0.18
Corel WordPerfect Office 2000 SB	\$349.00	\$117,527	380	\$309.28	0.03
Lotus SmartSuite Millennium Upg	\$159.00	\$1,606,699	10,279	\$156.31	0.82
Lotus SmartSuite Millennium	\$472.00	\$833,995	2,226	\$374.62	0.18
		\$49,250,141	562,348		45.07
<b>Totals</b>		<b>\$260,816,738</b>	<b>1247690.83</b>		<b>100.00</b>

## Market Behaviors

Software subscription, being a new consumer license model, poses some challenges when forecasting acceptance rates. However, through the use of purchase studies and results obtained on SKU velocity when competitors add value selections to their product suite lineups a acceptance rate can be inferred for ESL.

### Price Sensitivity:

The Gartner Group Purchase Process Study conducted in July 2000 dealt directly with the issue of purchase decisions one makes when evaluating similar products. The study found

MS/CR 0051550

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that 6% of individuals made business productivity suite decisions based strictly on price and an additional 6% made the purchase decision on perceived "good value". Second, the study found that 10% of individuals made their home productivity suite purchase decision based on price and 9% based on perceived "good value".<sup>1</sup>

When consumers cited in store influencing factors price, without consideration of rebate, jumped to the top with 40% of consumers specifying price was extremely influential in their purchase decision.<sup>2</sup>

**Alternative Purchase Considerations:**

- 62% of people who purchased Microsoft Office Standard Edition seriously considered a competitor's product.<sup>3</sup>
- 71% of people who purchased Corel WordPerfect Family Pack seriously considered a Microsoft Product and 38% seriously considered a product within the Microsoft Office family.<sup>4</sup>

**Low Price SKU addition to market:**

In November, 1999 Corel introduced a new low cost family productivity suite for \$69.00 into its line of suite products to capture a larger piece of the price sensitive audience. While sales volumes increased across all Corel SKUs during the period due to seasonality and the natural uplift associated with a new product introduction the ratio between Corel SKUs sold displayed a clear picture of share erosion into their next highest price point suite offering, WordPerfect Office 2000 Standard Edition, Upgrade.<sup>5</sup>

**Percent of Share within Corel Family**

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Corel Family Pack	0	0	9	18	25	25	32	33	31	37
Corel Office Professional	0	0	0	0	0	0	0	0	0	0
Corel Office Professional Upg	0	0	0	0	0	0	0	0	0	0
Corel Office 2000	15	14	13	11	10	11	11	12	12	10
Corel Office 2000 Upg	70	70	65	61	66	62	48	44	45	42
Corel Office 2000 Pro	2	2	1	1	1	1	1	2	2	1
Corel Office 2000 Pro Upg	13	13	11	8	7	6	4	5	4	4
Corel Office 2000 SBE	0	0	0	0	0	0	0	1	0	0
Corel Office 2000 SBE Upg	0	0	0	0	1	4	3	4	5	5

<sup>1</sup> Page 42, Gartner Group Purchase Process Study - July 2000

<sup>2</sup> Page 43, Gartner Group Purchase Process Study - July 2000

<sup>3</sup> Page 66, Gartner Group Purchase Process Study - July 2000

<sup>4</sup> Page 70, Gartner Group Purchase Process Study - July 2000

<sup>5</sup> PC Data, October 1999 through July 2000. All distribution channels.

MS/CR 0051551

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Percent of total Market Share

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
MS Works	38	37	35	32	31	30	32	31	31	31	31	29
MS Works Suite	29	33	37	44	44	46	43	44	43	42	39	44
<b>Corel WordPerfect Family Pack</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>6</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>10</b>
Corel Office Professional	0	0	0	0	0	0	0	0	0	0	0	0
Corel Office Professional Upg	0	0	0	0	0	0	0	0	0	0	0	0
Corel WordPerfect Office 2000	4	4	4	3	3	3	3	3	3	3	4	3
<b>Corel WordPerfect Office 2000 Upg</b>	<b>24</b>	<b>21</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>12</b>
Corel WordPerfect Office 2000 Pro	1	1	1	0	0	0	0	0	0	0	0	0
Corel WordPerfect Office 2000 Pro Upg	5	5	4	3	3	2	2	1	1	1	1	1
Corel WordPerfect Office 2000 SBE	0	0	0	0	0	0	0	0	0	0	0	0
Corel WordPerfect Office 2000 SBE Upg	0	0	0	0	0	0	0	1	1	1	2	1

Conclusions:

- Price is the deciding factor in 6 – 10% of business productivity suite sales
- Price is the deciding factor in 10 – 19% of consumer productivity suite sales
- New low price SKU in suite market captures 10% share.
  - 7% market share originates from SKU shift in family
  - 3% market share originates from cannibalization of competitive product

MS/CR 0051552

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