

From: Ken Myer
Sent: Monday, February 19, 2001 5:59 PM
To: Lisa Brummel; Hillarie Flood
Cc: Joseph Krawczak
Subject: RE: Office XP for the home, student and SOHO markets

Fully understand your points.

Joe and I know this is not as easy as some have made it sound. The sku balancing act, coupled to capturing "true" incremental (including the cannibalization issues with not just Works Suite, but also some Office as well) revenue is a huge challenge.

I too have a real distain for what may become "Office @ \$99". It does not work for me when we're telling the other end of the customer spectrum to pay us \$200 a desk top or there about.

-----Original Message-----

From: Lisa Brummel
Sent: Monday, February 19, 2001 5:50 PM
To: Ken Myer; Hillarie Flood
Cc: Joseph Krawczak
Subject: RE: Office XP for the home, student and SOHO markets

I think the issue is that the student plan kills Works Suite. That's not a bad thing if we believe we are finally going to really get behind a \$99 Office product. If that's the case then we will push really hard on templates and companion to add back revenue for the company. However, we should recognize that, in addition to driving new revenue in the home (via "students") we would also have to make up the loss of Works Suite revenue to the tune of \$50M. I know in the world of billions this doesn't seem like a lot but the stuff only becomes valuable (really) when you go above this number. To give context also, Sandy Duncan will tell you that student license in Europe today is a \$40M business. So, at the \$99 price point you've got \$90M in the bank today that you will need to exceed going forward. Is everyone up for this?

Finally, as context for your discussion with Joe, let's remember the genesis of Home Essentials a few years ago (Works Suite today). It was about using Office apps to get home penetration and we made pretty good use of Word and all the "dirty bits" (aka...my consumer software) that we had and it got us \$50M. Adding Excel, PP, and Outlook and perhaps a few of the "dirty bits" like Encarta (since we're talking students here) means we'll get more than this? Probably, but how much is it worth ruining the Office price point at retail and with OEMs.

It is always depressing to think that the best we can do to differentiate a key product for a large segment of the population is to drop price so I am simply lobbying for a thoughtful effort about positioning and value-add vs. throwing up our hands about this.

Happy to chat...please do keep us posted.

-----Original Message-----

From: Ken Myer
Sent: Monday, February 19, 2001 5:20 PM
To: Hillarie Flood
Cc: Lisa Brummel
Subject: RE: Office XP for the home, student and SOHO markets

What time is it???...another new idea???

Sorry, about every other hour there is a new wrinkle on this.

Joe and I are now looking at a WW plan for either Student or possibly Personal license, not "home" license. The "home" designation is not yet met the bar as the best choice.

Joe is out today and will return tomorrow. He and I will be meeting on this tomorrow and framing a plan. Please understand there is virtually no chance this could be fully developed and made ready for launch on 5/31. We should continue to move forward with the Template kit and the companion kit we've discussed, until we know how we will best address the new licensing, with either Student or Personal.

After Joe and I meet tomorrow, I'll get with you and Lisa.

-----Original Message-----

From: Hillarie Flood
Sent: Monday, February 19, 2001 12:04 PM

Plaintiff's Exhibit

6928_Q

Comes v. Microsoft

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To: Ken Myer
Cc: Lisa Brummel
Subject: FW: Office XP for the home, student and SOHO markets
Importance: High

Ken - is this correct? Is anything final yet?

Thanks
Hillarie

-----Original Message-----

From: Erik Brown (EMEA HQ)
Sent: 16 February 2001 13:55
To: Hans Stettmeier; Wolfgang Ebermann; Kurt Sibold; Paul Tollet; Chris Lewis; Shaun Orpen; Maurizio Bedina; Vahe Torossian; Pascal Brier; Delphine Reyre
Cc: Laurent Delaporte (EMEA HQ/PARIS); Simon Witts; Ian McGuinness
Subject: Office XP for the home, student and SOHO markets

As many of you know there has been a lot of discussion since the MYR around what versions of Office we should be offering in the home, student and SOHO markets. What is the future of the Student License ? What is the role of ESL (the office subscription)?

I have heard that during PRISM this week in Seattle that the Office group are now seriously considering producing a Home Office SKU. It would be Word + Excel + Outlook Express + some other TBD consumer focused bits. It would be a standard traditional product, with media in the box, protected by Product Activation and sold as a perpetual license. Pricing is still TBD but it would be in the region of our current Student License. Assuming this goes ahead it would probably be available around October.

If this is the case I would recommend that our strategy should be as follows

- 1. Retain Student License until this Home SKU is available.** During this time we would offer an Office XP Student License.
- 2. Replace the Student License with the Home SKU when it is available.**
- 3. Delay introduction of ESL until we are ready with the Home Office.** My thinking here is ESL will fail if we offer it alongside a full Office XP Student License.

Our ultimate offer would then be something like :-
Home & Student - Home Office @\$150 - \$200 perpetual
SOHO - ESL full Office or Office PRO @\$99 - \$150 per year
SORG - Office or Office Pro Open @\$400 - \$600 perpetual (or a bCentral Office subscription)

Does this make sense to you ?
Thanks
Erik

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