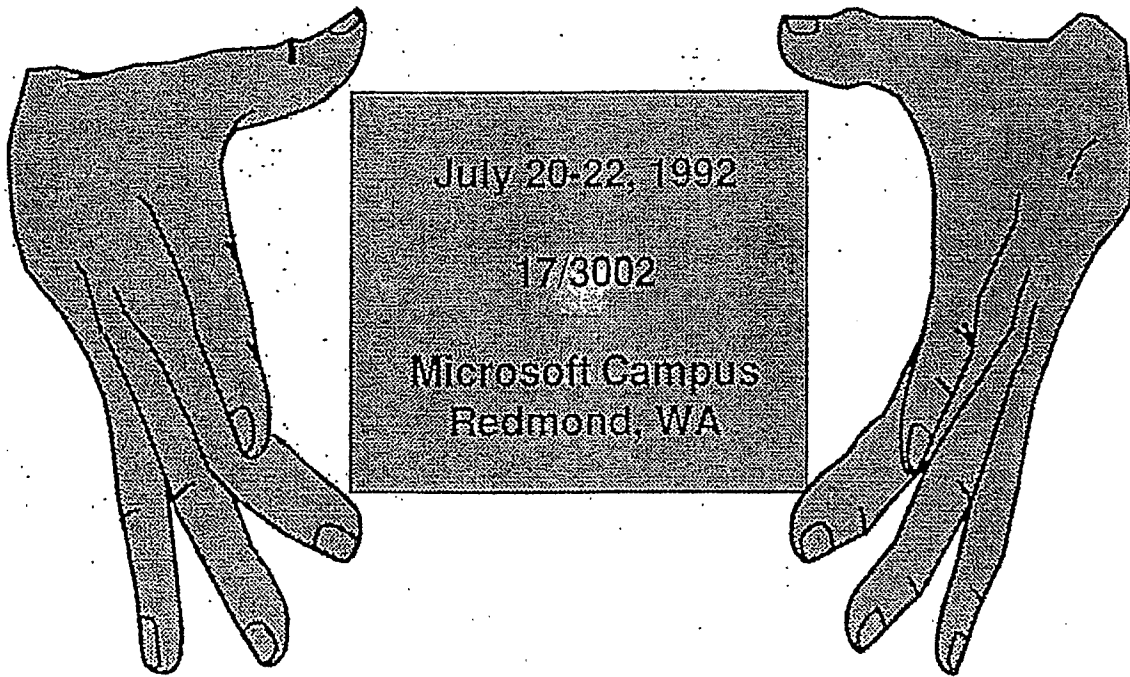


Jeff Raikes

# Microsoft®

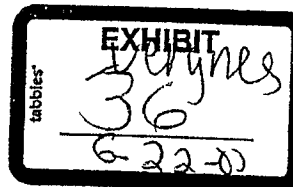
## Worldwide Regional Directors Meeting



Plaintiff's Exhibit

9466

Comes V. Microsoft



MS 0133202  
CONFIDENTIAL

**Worldwide Regional Directors Meeting  
July 20-22 - Building 17 - Room 3002**

**Monday, July 20**

8:30	Kick-off and Goals of WWRDM	SteveB
9:15	Europe Organization and Structure	BernardV
10:00	US Organization and Structure	JeffR
10:45	Break	
11:00	ROW Organization and Structure	Chrissm
11:30	LA Agreements	Johnni
1:00	Lunch in room 17/3008	
2:15	Career Path Development	Mikemur
3:15	Training	MikeAp
3:45	Break	
4:00	Localization	TBD
5:30	Discussion / End	

*Evening Free -- No Scheduled Event*

**Tuesday, July 21**

8:30	Interfaces into Product and Service Groups	Johncon/Jonre
10:00	Post-Sales Linkage	Garygi
10:30	Break	
10:45	DEC and Microsoft Partnership	JeffR
11:30	OEM Organization and Structure, Issues	Joachink
12:30	Lunch in room 17/3008	
1:45	International Marketing	Jonre
2:45	FY93 Plan / Distribution and Manufacturing	Frankga/MikeBro/RayE
3:45	Break	
4:00	Intro to Campaigns	SteveB
5:00	Legal: Organization and News	Billn/Davidcu
5:30	End	
7:00	Cocktails and Dinner by Fountain	

**Wednesday, July 22**

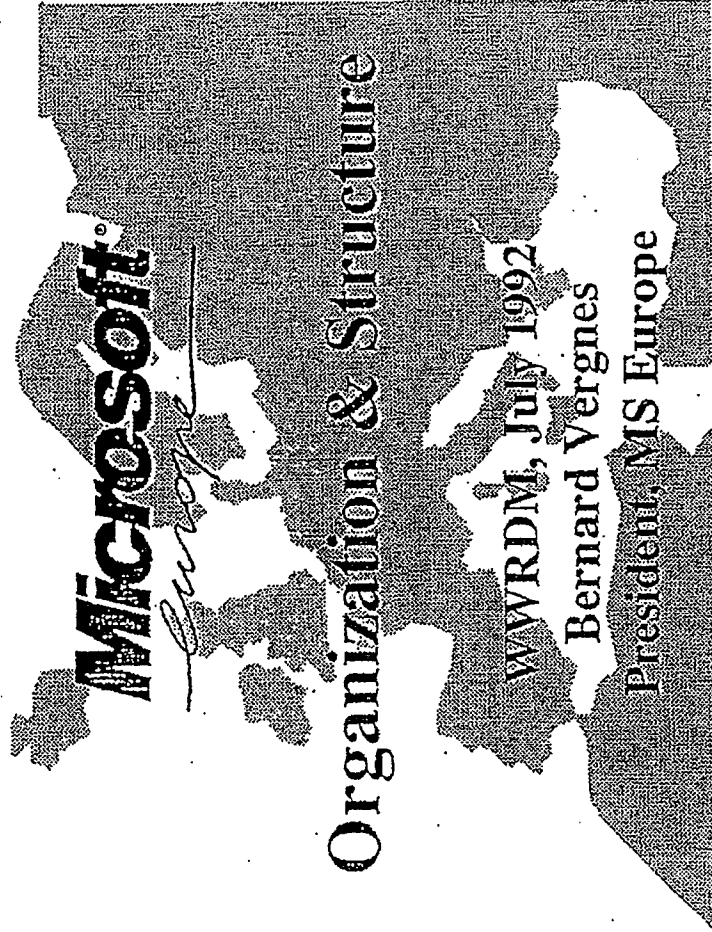
8:00	Windows Campaign	Jonl
9:00	WorkGroup Campaign	DanielP
10:00	Break	
10:15	New Windows Products (Sparta and other)	BradsI
10:45	Office Campaign	Robbieb
11:45	Solution Provider Campaign	JohnNi
12:45	Wrapup/Discussion	Steveb
1:15	End	

*Shoo for campaigns*

MS 0133203  
CONFIDENTIAL

Europe Org

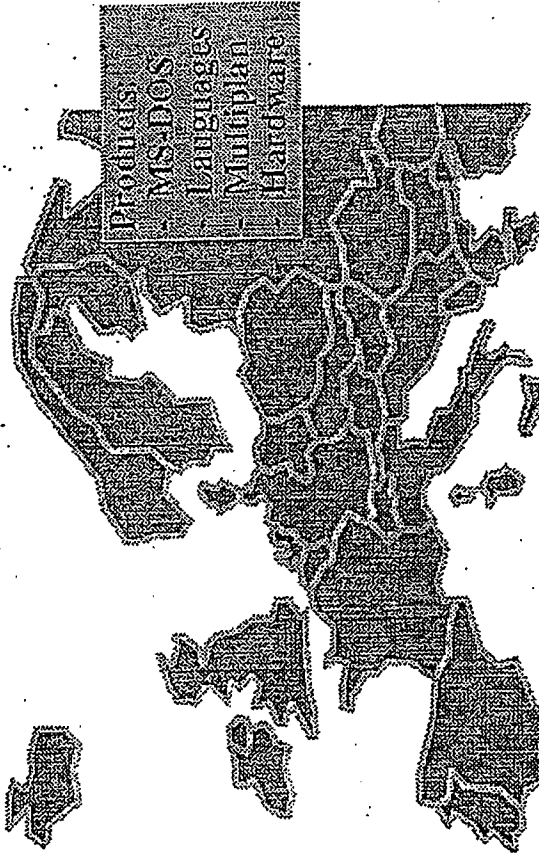
MS 0133204  
CONFIDENTIAL



MS 0133205  
CONFIDENTIAL

# Microsoft in Europe

(Circa 1983)

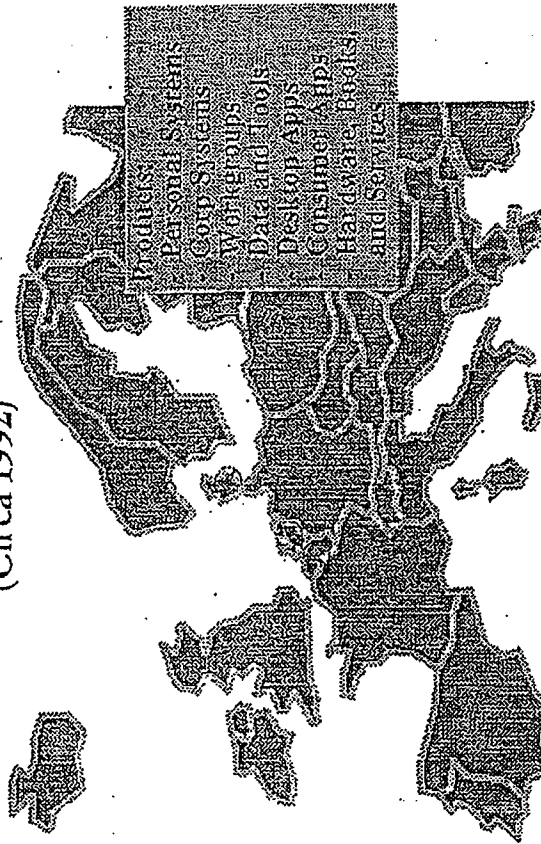


⊗ Subsidiary

MS 0133206  
CONFIDENTIAL

# Microsoft in Europe

(Circa 1992)



▲ Euro HQ   ⊕ Subsidiary   ◆ Mfg and Localization

MS 0133207  
CONFIDENTIAL

# Key Growth Indicators

	FY91 Actual	%Growth FY92/91	FY92 Actual	%Growth FY92/93 Forecast	FY93 Forecast
--	----------------	--------------------	----------------	--------------------------------	------------------

Revenue (#1)	\$705,088	45%	\$1,021,266	29%	\$1,317,433
Units (#2)	4,000,000	63%	6,500,000	23%	8,000,000
People (#3)	1,086	71%	1,854	30%	2,409

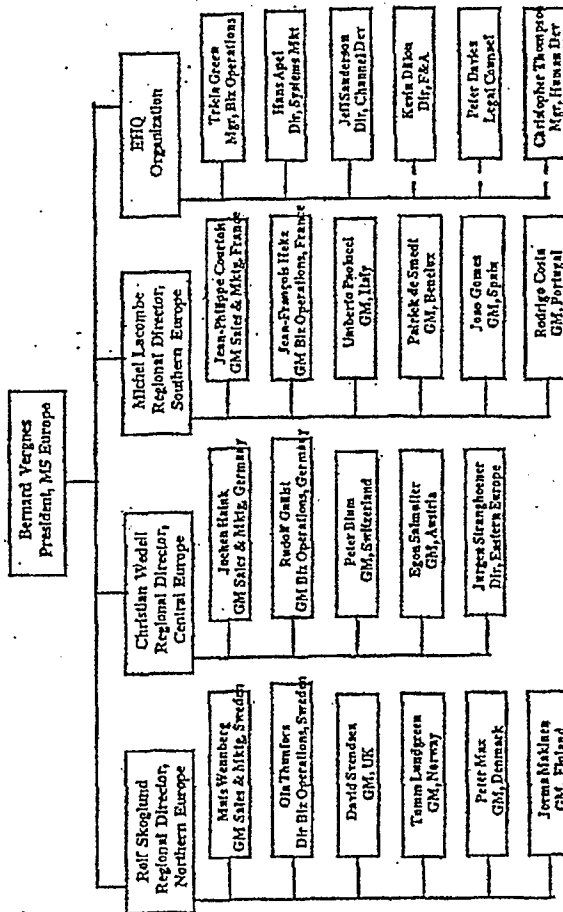
#1 Finished goods revenue in \$000, reflecting currency fluctuations

#2: New licenses only (Maybe!!!)

#3: Does not include MS Ireland or WW Product Group Ireland

MS 0133208  
CONFIDENTIAL

# EHQ Regional Structure



MS 0133209  
CONFIDENTIAL





## **EHQ Operating Principles**

1. Keep resources as close to the customer as possible.
2. Emphasize adding value in all aspects of the organization.
3. Rotate people between the field and the EHQ.
4. Take time to step back from the day-to-day business.
5. Measure our effectiveness.

## What Has Worked

- ◆ Business has grown
- ◆ Windows and RUP DOS success achieved as planned
- ◆ Systems marketing now available in the subs
- ◆ Large subs have own resources, EHQ provides for smaller ones
- ◆ EHQ has not added another layer (most of the time)

MS 0133212  
CONFIDENTIAL

## What Has Worked (cont)

- ◆ Better communication between subs
- ◆ Somewhat less duplication of effort
- ◆ GMs have awareness of impact of unified market
- ◆ Shared resources ("competence centers")
- ◆ BUs have strengthened their international role

MS 0133213  
CONFIDENTIAL

## What Hasn't Worked

- ◆ Sufficient teamwork
- ◆ Communication within Directors & Managers
- ◆ Regional Director role not clearly defined
- ◆ Matrix organization
- ◆ Short-term focus; too reactive
- ◆ EHQ structure out of sync with campaign focus

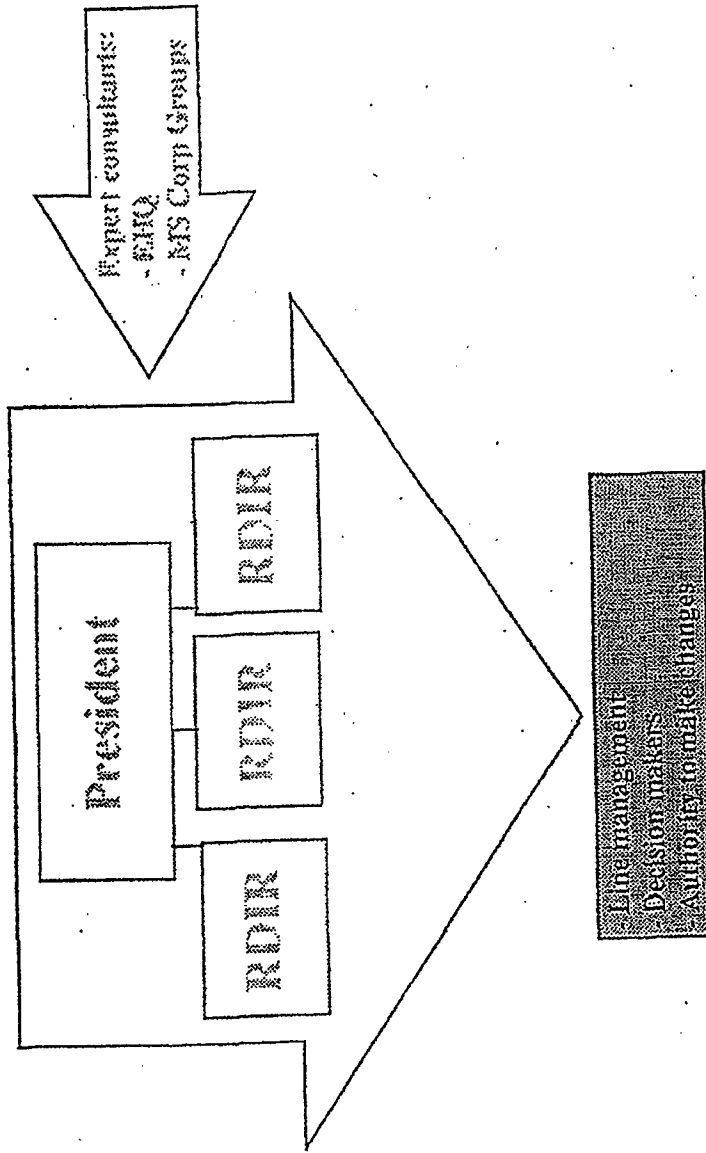
MS 0133214  
CONFIDENTIAL

## What Next?

- ◆ Clearly promote roles of each element
- ◆ Constantly rethink the EHQ
- ◆ Improve teamwork among President, Regional Directors and their assistants
- ◆ Understand and correct matrix organization
- ◆ Define the big issues and follow through
- ◆ Share the responsibility for driving issue resolution
- ◆ Extend project leadership to experienced GMs

MS 0133215  
CONFIDENTIAL

# Redefined Structure



MS 0133216  
CONFIDENTIAL

## The Business in 1997

- ◆ \$3 billion in revenues
- ◆ 28 million licenses
- ◆ 40% updates
- ◆ 3 - 4 distributors do 70% of the business

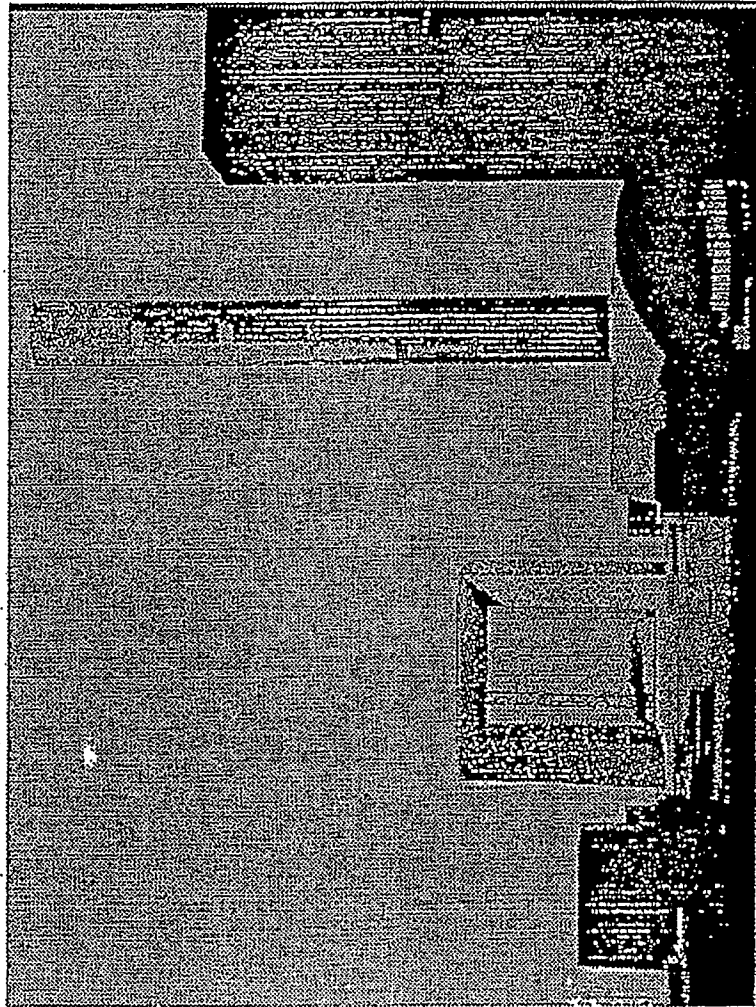
MS 0133217  
CONFIDENTIAL



## The Organization in 1997

- ◆ 5,000 people
- ◆ One holding company and mfg location
- ◆ 3 - 4 MS distribution companies
- ◆ 25 sales and marketing subs, 8 support subs,  
5 F&A subs
- ◆ Central fulfillment center
- ◆ 50 Euro GMs
- ◆ 10 people at the EHQ in Paris...

MS 0133218  
CONFIDENTIAL



MS 0133219  
CONFIDENTIAL

U.S. ORF

MS 0133220  
CONFIDENTIAL

**FY'93 OEM Sales Group  
Plans and Business Trends**

Joachim Kempin  
Vice President  
July 1992

---

---

---

---

---

---

**Agenda**

- ◆ FY'92 Accomplishments
- ◆ U.S. Market Trends
- ◆ FY'93 OEM Organization
- ◆ FY'93 OEM Goals
- ◆ OEM Financials
- ◆ New Business Group Review
- ◆ OEM in the Subsidiaries

---

---

---

---

---

---

**FY'92 Accomplishments  
(OEM Group)**

- ◆ Forced DRI to go retail with DR-DOS 6.0
- ◆ Laid groundwork for  $\geq 7M$  MS-Windows sockets in FY'93
- ◆ Helped get Works for Windows off to an excellent start
- ◆ Breakthrough in Chinese customer relations (U.S. and overseas)
- ◆ Weathered the Korean FTC investigation

---

---

---

---

---

---

### FY'92 - What We Missed

- ◆ Novell OEM momentum grew too strong
- ◆ Lost too much U.S. applications business on price
- ◆ Disappointing results in penetrating consumer accounts

---

---

---

---

---

---

### U.S. Market Trends

- ◆ 486SX will be the entry system by end of FY
- ◆ Subnotebooks and hand-held PC/COMM devices will be the fastest growing market segment next CY
- ◆ OEMs are looking for architecture leadership - our efforts are most welcome

---

---

---

---

---

---

### Product Cycles

- ◆ CPU price war
- ◆ Universal motherboards/separate CPU/cash cards
- ◆ 45-60 days to design "new model"
- ◆ Three to six months time in the market
- ◆ Make decision now!
- ◆ Can't wait for market research

---

---

---

---

---

---

HIGHLY  
CONFIDENTIAL

## Mail-order Channel

- ◆ Profitable with 6-10 %  
(before taxes)
- ◆ Strength: direct customer access  
Usage: to sell
  - > Software
  - > Add-ons
  - > Additional PCs
- ◆ Fastest growing segment after the  
PC assembler segment

---

---

---

---

---

---

## House "Brands"

- ◆ Superstores, mass merchants, large  
resellers
- ◆ 50-60% of sales units within two years
  - > Computer City - Victor
  - > CompUSA - Compudyne
  - > Computerland - Trion
- ◆ Could force brand-name PC  
manufacturers to the more aggressive  
and pursue mail-order business

---

---

---

---

---

---

## Consumer Products

- ◆ Apple's Newton
- ◆ Pen MS-DOS®/ Pen Point
- ◆ Wireless COMM-PC
- ◆ OEM role
  - > Report what you discover  
immediately
  - > Help us shape Microsoft product  
strategy

---

---

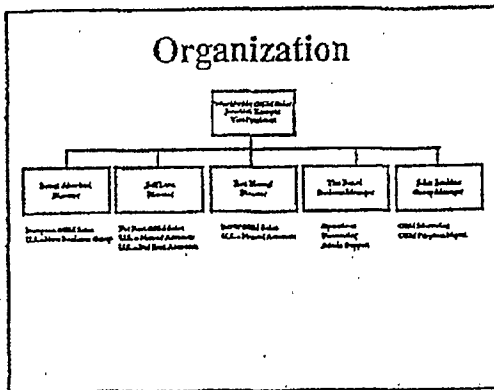
---

---

---

---

HIGHLY  
CONFIDENTIAL




---

---

---

---

---

---

- ### FY'93 OEM Group Goals
- ◆ Exceed budget by 20 %  
...think \$600M
  - ◆ Deny Novell OEM server wins
  - ◆ Improve MS end-user experience
  - ◆ Revive KK OEM momentum
  - ◆ Execute key OEM marketing programs well

---

---

---

---

---

---

- ### Exceed Budget by 20 %
- ◆ Every MS-DOS license is an MS-Windows opportunity
  - ◆ Add 2M new MS-DOS licensee units
  - ◆ No lost WFW opportunities
  - ◆ Gain ground on Lotus and Spinnaker through a more aggressive OEM applications policy
  - ◆ Gain on Logitech, no losses and new customers

---

---

---

---

---

---

**HIGHLY  
CONFIDENTIAL**

### Deny Novell OEM Server Wins

- ◆ Promote WOSA campaign
- ◆ Actively sell NT-LAN Manager against Novell Unix solutions
- ◆ Cooperate with OEMs in more key industry programs

---

---

---

---

---

---

### Improve MS End-User Experience

- ◆ Sell registration cards idea as a benefit to OEMs
- ◆ Ensure Windows Ready-To-Run is a clear benefit to end-users
- ◆ Solve support issues for end-users when buying through OEMs

---

---

---

---

---

---

### Revive KK OEM Momentum

- ◆ Help to establish MS-Windows in Japan
- ◆ Hire and train the KK OEM team
- ◆ Keep close tabs on consumer device developments

---

---

---

---

---

---

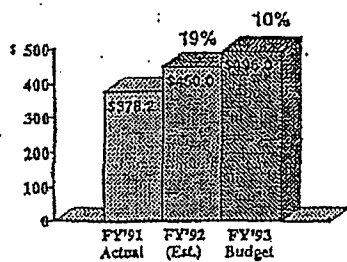
HIGHLY  
CONFIDENTIAL



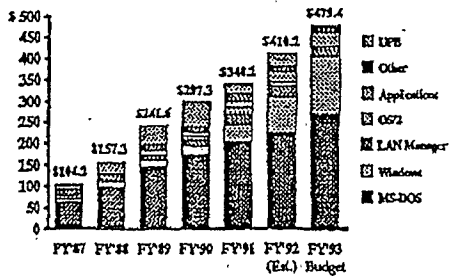
## Execute Key OEM Marketing Programs Well

- ◆ MS registration cards in every OEM Windows box
- ◆ Carry MS-DOS/Windows OEM prospecting campaign into Europe
- ◆ Actively support Windows Ready-To-Run campaign
- ◆ Broaden OEM trade show participation
- ◆ Use MS OEM club membership to improve account relationships

## Worldwide OEM Gross Revenues

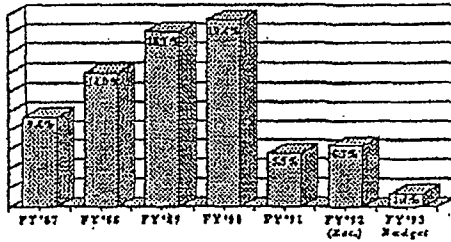


## Royalty Only Gross Revenue by Product



HIGHLY  
CONFIDENTIAL

UPB as % of Gross Revenue



DOEM A/R >60 Days at 5/31/92

		CUSTOMERS	
Royalty	\$3.5	Tandon	\$1.6
Packaged Product	0.2	DAK	0.7
Total	<u>\$3.7 (13%)</u>		<u>\$2.3</u>
FY'91	\$5.3 (31%)		
Reserve	\$8.8		

IOEM A/R >90 Days at 5/31/92

		CUSTOMERS	
Royalty	\$12.8 (35%)	Sanyo	\$1.7
FY'91	\$15.8 (26%)	Copam	1.7
Reserve	\$8.8	Samsung	1.5
		Modern	0.9
		India	0.9
			<u>\$6.7</u>

HIGHLY  
CONFIDENTIAL

## New Business Group Review

- ◆ U.S. MED program evaluation
- ◆ Trends
- ◆ Key FY'93 goals
- ◆ Prospecting update

---

---

---

---

---

---

---

---

## MS-DOS "Easy" Distribution Concept Means Choice for OEMs

<25K/y	per copy	FG-DOS	\$45-\$55
<25K/y	per system	Pay-as-you-go	\$34 + package costs *
<25K/y	per system	Min commit/2 yrs	\$29 + package costs *
>25K/y	per system	Royalty (Incl. rep. rights)	average \$19
n/a	per processor	Incentive	\$1

\*Package costs:  
-Full product \$8.50  
-Slim product \$5

---

---

---

---

---

---

---

---

## New Business Group MS-DOS License Structure 9 Month Results

"Pay-as-you-go"	36	(34 Win)
MS-DOS min commit	55	(28 Win)
TOTAL Sign-ups	141	(62 Win)

80% Converts (FG-DOS, gray market MS-DOS, DRI)

HIGHLY  
CONFIDENTIAL

---

---

---

---

---

---

---

---

### New Business Group FY'92 Accomplishments

- ◆ \$112M new min commits booked\*
- ◆ \$52M recognized revenue
- ◆ Developed 20 named accounts
- ◆ 44% MS-DOS licenses result in Windows licenses

\*Excludes: "pay-as-you-go" commitment

---

---

---

---

---

---

### Making It Easier To Do Business With Us

- ◆ Dedicated customer representative
- ◆ 48-hour turnaround from Print Northwest
- ◆ Tailored plan

---

---

---

---

---

---

### Trends in "PC Assembler" Segment

- ◆ Business failures/problems:
  - > EMI, DAK, MAS, Alloy, Ergo/ACT, PC Pros
- ◆ Piracy with "legitimate" copies (BEC, FRL, Z-Nix, etc.)
- ◆ Harder to collect \$
- ◆ 17% "address change" in six months
- ◆ Fastest growing segment, mail-order business is second

HIGHLY  
CONFIDENTIAL

---

---

---

---

---

---

### Key FY'93 Goals

- ◆ Exceed 500K MS-DOS units in "naked" system sales
- ◆ Increase Windows licenses of existing customer base
- ◆ Explore Mouse and EBU opportunities

---

---

---

---

---

---

### Key to Success For The New Business Group

- ◆ Prospecting
  - > 15K names
  - > Database and tracking software
  - > 1H FY'93 direct mail and advertising campaign - ready to go
  - > Clipping service for 16 met. areas in place
  - > Tradeshow exposure (CompuExpo, Comdex)

---

---

---

---

---

---

### International Roll-Out

- ◆ Based on U.S. experience
- ◆ Databases are being updated
- ◆ Co-op funds available

---

---

---

---

---

---

HIGHLY  
CONFIDENTIAL

### OEM in the Subsidiaries

- ◆ Make it easy for customers to do business with Microsoft
- ◆ Create retail sales leads
- ◆ Working the OEM mission in your subsidiary

---

---

---

---

---

### Make it Easy To Do Business with Microsoft

- ◆ Do a quality job yourself  
...partnership, not arrogance
- ◆ Report any bad attitude towards customers...the OEM log
- ◆ The OEM club program

---

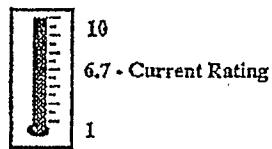
---

---

---

---

### The OEM Survey



Next year's goal  
8.0

HIGHLY  
CONFIDENTIAL

---

---

---

---

---

### OEM Survey Comments

- ◆ "Microsoft gives the industry the impression they are God and expect all to follow"
- ◆ "Customer satisfaction is key to the Microsoft OEM organization, but their support from the rest of Microsoft is the issues."
- ◆ "OEM may take quick action, but the perception is the product group does what and when they please."

---

---

---

---

---

---

### Create Retail Sales Leads

- ◆ Windows "Ready-To-Run" Campaign
- ◆ Registration cards and names
- ◆ Pass on business if retail can serve better
- ◆ Know retail programs and offer them as you see fit

---

---

---

---

---

---

### Create Retail Sales Leads

- ◆ Upgrade business
- ◆ Short-term promotions
- ◆ PC advertising

---

---

---

---

---

---

HIGHLY  
CONFIDENTIAL

**Working The OEM Mission  
In Your Subsidiary**

- ◆ Always exceed your goals
- ◆ Leverage the "retail" business
- ◆ Expose other people to our mission

---

---

---

---

---

---

**FY'93 Summary**

- ◆ Reduce "naked" MS-DOS systems
- ◆ Create Windows Apps Sockets
- ◆ Get Registration Cards in all MS-DOS/Windows boxes
- ◆ Beat Novell with WFW
- ◆ Stop Lotus from gaining OEM Apps marketshare
- ◆ Explore synergies between Retail and OEM business

---

---

---

---

---

---

**HIGHLY  
CONFIDENTIAL**

---

---

---

---

---

---