

Christine Turner

From: Bangt Akerlind
To: Joachim Kempin
Cc: Bangt Akerlind's Direct Reports; Christine Turner; Joachim Kempin's OEM Direct Reports
Subject: October Status report
Date: Sunday, November 13, 1994 10:19AM

MARKET TRENDS:
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- All indicators point to a record Christmas season. DSPs in most countries report that every month this fall has been a record month and that they already have huge backlogs for November and December. In some cases the backlog stretch into January. The royalty OEMs also forecast very strong sales for the last two months. Last year the "Christmas season" lasted one week. This year many OEMs report that it has already started.
- IBM is getting very aggressive with OS/2. Their sales and marketing pattern start to become clear. They go in with an aggressive offer on a broad basis. The offer typically includes low royalties (\$5 - \$15 for DOS and OS/2 Warp excluding Windows. Windows is offered as an option for around \$25-30). At the same time they offer huge marketing funds, that in many cases completely cover for the royalties. In the case the customer shows interest, IBM sweetens the deal to the point that nobody can resist. The sweetening may include IBM waiving other payments from the OEM as I have informed about in previous mails. IBM does have some success with this strategy. The typical customer is the "discount integration manufactureres" who typically are not that sophisticated. We have to date lost some smaller customers, primarily those where we have mediocre relationships. With other OEMs in the same category with which we have a great relationship and have done the Win95 homework, IBM has not been successful.
- Lotus is back on the bundling bandwagon in Europe (is the first sign we see of the new VP?). The lowmark for Smartsuite comes from Siemens: \$7 excl manuals and disks (preinstalled).
- We start to see pressure come from some DSPs in Europe. They want to have Euro distribution rights. the strategy is clear: each country has to qualify itself on its own merits.

FLAGS
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- Red:** - Vobis & Escom has decided to start ship OS/2 Warp on 100% of their systems (see trend above). We are still in fighting mode at Vobis.
- Yellow:** - Compaq, limited progress on the joint European marketing plan.
- In Taiwan there may be several small to mid size board manufacturers that do not yet manufacture to the P&P spec. Will address this month.
- Green:** - Two major wins for AtWork printing: Samsung and Sharp. Very refreshing to get some new busienss for the AtWork team
- The Taiwanese team has started a program of reducing the numbers of min commit OEMs. An analysis revealed that very few OEMs had any turnover to speak about. The program aims at funnelling the low volume accounts into the DSP channel. Tough actions on unbundlers has been taken.
- Cwin marketing campaign in Taiwan is in full swing. Norhtern Europe has started the first real Win95 marketing activity: Win95 roadshow, over 850 attendees in Nordic alone.
- Toshiba American reversed their decision to have an SKU with preinstalled OS/2.
- Thanks to a great team effort between PatO and DonHar's teams, we are now "clean" in terms of expectations on AtWork. Ricoh, NEC, and Xerox are aware of the fax schedule (this schedule must be kept!!). Sharp has backed off from WinPad, but we have open up AtWork printing business with them. by this other projects we will get a chance to save our face. Ricoh is willing to embark on a study how to do copier in the smartest way.

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Plaintiff's Exhibit
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The DoJ concent decree hit Korea very hard due to PPBs with most customers. the PPB situation is now under control with all major accoutns.

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