

Label B X 12/23
FYT

Sniso

Education Channel Marketing Report

November 1991

NOVEMBER SUMMARY

\$26 Million
FYTD Revenue
ACIS purchases top \$11 million



Y ear-to-date revenues are well ahead of plan due to the ongoing success of the the IBM ACIS bundle. Over 23,000 PS/2 systems were shipped into the education market in September alone, all with Windows pre-installed. Word for Windows was installed on over 90% of these systems; 16% shipped with Word for Windows and Excel. In the first quarter, 48,500 total IBM ACIS/Microsoft bundled systems made their way into the hands of educators and students.

The availability of Macintosh computers (in contrast to last year's 6-month backorder), combined with the success of our Back-to-School, Mac Share Defense Campaign has resulted in a healthy growth of our Mac applications sales. Over 42,000 units of the Academic Edition of Mac Word have shipped FYTD vs. 32,000 during the same time period last year.

Mac Works continues to be the top-selling product through our Authorized Education Dealer (AED) channel, where more than 17,000 Mac Works Academic Editions and 1900 lab/classroom 10-packs have been purchased this year.

Midwest District Account Executive Susan Kartheiser and EMR Rex Stocklin closed a deal with Purdue University's Krannert School of Management that will make this



graduate school of business a showcase for Microsoft products. All lab and faculty workstations will be running Windows, Word, Excel, Mail and DOS 5, and a large number will be running PowerPoint and Project. These products will also be recommended to students enrolled in Krannert's Executive MBA Program.

New England Account Executive Rob Gual is working with Harvard Graduate School of Business and Excel consultant Will Tompkins to implement a conversion of all Harvard business cases from Lotus to Excel. Discussions are underway with Tompkins to make the development methodology available to other schools who write business cases for classroom use. Due to Rob's efforts, Harvard Business School has made a

Rob Gual is working with Harvard Graduate School of Business and Excel consultant Will Tompkins to implement a conversion of all Harvard business cases from Lotus to Excel. Discussions are underway with Tompkins to make the development methodology available to other schools who write business cases for classroom use. Due to Rob's efforts, Harvard Business School has made a wholesale switch from Lotus and WordPerfect to Win Word and Win Excel.



COMPETITION CHECK

Borland Gets Aggressive with Institutions



B orland International recently introduced an aggressive plan to win standardization in the labs and classrooms of higher education institutions and high schools. Borland asks a university or school to multiply the student population by .80 and the number of campus-owned DOS CPUs by \$8.00. The sum of these two figures becomes the fee for the school to have the right to run every Borland product on all campus workstations for a period of one year. It does not allow for software purchases by individual students and faculty. The multipliers decrease as the school size and CPU population increases. To put this in perspective, a school the size of the University of Michigan has approximately 40,000 students and 5,000 CPUs (including on-campus faculty workstations). For a site fee of less than \$10 per CPU, the University of Michigan has the right to upload all Borland products (Quattro Pro, Paradox, Sidekick, Turbo languages, etc.) for a period of one year. The agreement can be renewed in

(see Borland on p. 2)

Education Channel Revenue Snapshot	
FYTD Actual:	\$25,981,634
FYTD Plan:	\$20,188,664
Performance vs. Plan:	129%

MS 0181895
CONFIDENTIAL

CHANNEL STATISTICS:

Total number of higher education institutions: 3500
 Total number of K-12 schools: 120,000

Number of MS Authorized Education Dealers: 709
 Number of Microsoft direct accounts: 400
 Top contract: Univ. of California System: CY 1991 YTD revenue - \$1.2 million
 Top AED: Graham Computers- Indianapolis- CY 1991 YTD revenue: \$220,000

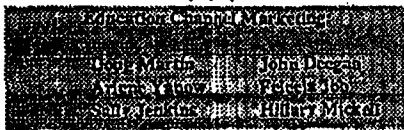
Borland (cont'd.)

successive years using the same formula with even lower multipliers. Borland also offers lab packs (10-packs) for smaller purchasing needs.

This program was introduced on September 17, 1991, so there is no solid data available as yet on the program's acceptance by the education community, but we heard a significant number of positive comments from decision makers at this year's EDUCOM conference in San Diego.

Microsoft recognized several years ago that winning standards in labs and classrooms was the key to achieving revenue growth through student sales. If a software product is recommended, supported, and taught by a university or college, faculty and student purchases will inevitably follow. Microsoft's initial response was the development of software 10-packs which provide schools with an easily administered, low cost-per-workstation method of putting Microsoft products on CPUs in public labs. Borland has taken this strategy to the next level by offering a pure site license to these schools in order to capture share on institutional machines.

Borland also offers Academic Editions of some products, and "Scholar Pricing" on others (retail box sold through controlled channels only to qualified education customers). They distribute product through NACSCorp. (a popular campus bookstore distributor) and they maintain an aggressive direct sales program. Education Channel Marketing has a copy of the complete terms and conditions of the Borland program if anyone would like more information.



Word for Windows 10-pack Promotion is a Success

In response to WordPerfect's aggressive educational institution sales program (buy one retail copy of WordPerfect, get 7 additional licenses free), and to motivate schools to purchase Word for Windows now rather than wait for WordPerfect for Windows, the SRP of the Word for Windows 10-pack was lowered from \$1195 to \$300 for the July - December time frame.

The \$300 price point was chosen to meet WordPerfect pricing in the majority of schools. While our 150 direct accounts receive a 30% discount on the 10-pack (\$210), the 3300 other colleges and universities and the over 110,000 K-12 schools purchase software from AEDs, who charge full SRP for Academic Editions and 10-packs. The result is a per-workstation cost of \$30 for this large segment of the market, matching WordPerfect's effective price after their "seven license donation".

The price reduction was supported by a direct mailing to Authorized Education Dealers (AEDs), campus resellers, and key IEUs and technical decision makers in higher education and K-12.

The price promotion has proven to be incredibly successful. As a basis for comparison, 540 Win Word 10-packs were shipped in all of FY 91. In only the first five months of this fiscal year, over 1200 Win Word 10-packs have been shipped. This has resulted in over 12,000 installations of Win Word in strategic, high-visibility labs and classrooms.

These results were achieved independent of the success of the current Windows Relationship Campaign, which is designed to establish trial and evaluation of Win Word and Win Excel in the first half of

the year; purchases based on this promotion are not expected until the back half of the year.



Education Channel Priorities for FY 92

The following is a list of the major program, promotions, and issues that Education Channel Marketing will be focused on for the remainder of FY 92 (not prioritized). For more information on indirect account programs, contact Arlene Yanow (x63349). For direct account programs, contact Sally Jenkins (x66818).

- * Windows Relationship Campaign
 - Convert 100 sites from evaluation to purchase by June 30
- * Distribution
 - Develop a program to increase distribution of Academic Editions to small colleges and campus resellers.
- * Spring AED promotion
 - Provide incentives for Authorized Education Dealers to sell 42,000 units of AE product between 3/1 and 6/30.
- * Textbook Publishers
 - Investigate partnerships with major textbook publishers who want to bundle business and computer science texts with "student Editions" of Microsoft apps.
- * New Product Rollouts
 - Introduce Academic Editions of upcoming new products or new product versions: LAN Man, SQL Server, Excel 4, Mac Works 3, Mail, Windows 3.1 10-pack, Multimedia apps. MCSS/MRSS
- * Implement a series of MRSS seminars through campus resellers and AEDs (focus on Win apps and new products), and a series of MCSS seminars at strategic universities around the country.
- * HBS Case Development
 - Work with Excel team, Harvard, and consultant Will Tompkins to foster the creation of a business case development tool using Excel.
- * Upgrade Policy
 - Develop a clear, profitable upgrade policy for Academic Edition products.
- * Sell DOS 5 Upgrades



MS 0181896
 CONFIDENTIAL