Microsoft
Europe

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From: Bernard Vergnes

cc: Michel Lacombe, Rolf Skoglund, Bengt Akerlind, European GMs, EHQ Management

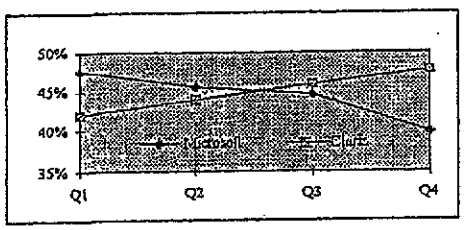
Date: 15 April 1994

Subject: European Monthly Report - March

I. Business Results

Despite excellent LC revenue performance by several subsidiaries (UK-108%, Italy-145%, Netherlands-132% and Eastern Europe generally), Europe fell just short of its March revenue budget (97%). The profit picture, however, was the worst in Europe's history. We basically just broke even, thanks to the $45M allocation of the STAC judgement. Otherwise, Europe remains below budget in all cost categories (apart from Other COGS).

In terms of revenue, Windows Office continues it's strong performance. The UK, in particular, had an excellent month, selling as many licenses as France and Germany combined.



The Mac business continues to be a particular concern. Despite strong unit growth by Apple (over 50% year-to-year growth for the December quarter in the UK, France and Germany, according to Dataquest), Microsoft applications revenue is flat or declining. For the first time, SPA analysis shows that Claris has greater Mac revenue share than Microsoft in Europe. ($14M vs. $11.6M in CYQ4). We retain our 80% WP unit share. Mac revenues are heavily weighted toward integrated and graphics packages, both of which ship more than spreadsheets.

Our retail Windows business has rebounded, thanks to the strong re-launch of Windows for Workgroups in several countries. We are above our YTD budget in both revenues and especially units.

Finally, the Advanced Systems business continues to be disappointing. Although we continue to accumulate significant designs wins, our shipments are not accelerating. About the best that can be said is that Europe shipped more licenses last month than the US.

II. Key Projects

Tony Ettlinger and Steve Smith delivered their Lynx recommendations. We will create three regional escalation centers (UK, France and Germany) under the management of a European PSS Director (TBH). We will also centralize services marketing and planning under this function.

Phoenix will result, with the help of WPG and Microsoft US, in a significant shift in the way we plan and deliver marketing programs, with the goal being a shift in resources from strategy creation to customer contact. At the same time, we will be streamlining marketing collateral production in Europe, leveraging US-sourced creative and copy, and working with a smaller set of vendors to produce collateral for all languages. Adopting common design elements across marketing groups will be a key success factor.

III. GM Commentary Highlights

The following section contains excerpts from the monthly GM reports. The individual reports are available from AllisonKr or Chantalp

UK

- FG Revenue £21.5 Million and No 1 in Europe this month. This was 109% of budget with another £4 Million in backorder. OEM contributed £5.8 million (against budget of $15.7M). Run-rates were high as it was year-end for many organisations (offset by a 4-week month), but reduced in the last week to weaken our views of April outlook somewhat. Channel stock is average 3.5 weeks and healthy.
- Apps revenue £15.4M, 110% of £14.0 MM budget and 157% of £9.8M MYR Forecast.
- DAD business is £88.0M YTD (96% of budget and 112% MYR Forecast)
- New lics revenue for the month was £13.2 MM(121% £10.9M budget and 181% of £7.3M MYR Forecast). YTD new lics revenue now stands at £76.2M (107% of £71.0M budget and 116% of £65.9M MYR Forecast) - a strong result given that the products delays this year.
- Sales of Office were particularly strong with approx 40,000 new lics in March (119% budget, 203% MYR Forecast) and £8.8M new lics rev (170% budget, 222% rfcast) which has taken the YTD Office new lics to 205,000.
- Initial upgrade sales for Office 4.2 are below expectations however, although a re-mailing is now rolled out to the 4540,000 MS installed base to re-enforce that version 4.2 is now shipping.
- The month featured huge ramp up in channel sell-through programmes covering coop mailings, ads, seminars, reseller sales incentives, and a 5 for 4 spiff that assisted 4.2 channel stocking. MOLP relaunched to the channel with a huge mailshot, telesales & Channel Incentive Program and linked to Trade-up for Office and WFWG. It contributed £2.1m and is a significant catch-up to our YTD target of £7m.
- Systems business 105% MTD budget, (88% YTD) and 113% of MYR Forecast. WFWG 3.11continued momentum, £811k & 22k licences, and 200% of reforecast licences. A strong 107K licences YTD, and 99% of budget. MSDOS 6.2 beat revenue budget & reforecast at 200%, with successfully containment (so far) in the UK of the STAC lawsuit. WNTAS momentum growing slowly but surely, although many wins are OEM sourced, e.g Sequent. SQL Server business unit generated record £190K of revenue - 120% of revenue budget and 280% of reforecast. Over £150K was for Windows NT. Developer Tools & Fox exceed £1m for the 2nd month running!, Dev Tools beat monthly budget & reforecast, 171% & 144% respectively. AT&T GIS and ICL Services will roll out Win NT marketing programmes, starting in April.
- Large A/C's. Select on target to meet forecast for April reporting with Nationwide, BT, Natwest will report over £500k each. BT has chosen WINDOW NTAS, SNA Server, Hermes and SQL for 200 sites!! (60,000 Hermes clients). PLSE NOTE: Not official and no potential for PR yet. They have also standardised on WFWG 3.11at the client. Public Sector Global Master Agreements working (NHS £250K) and virtually all public bodies can now sign an enrollment. This again emphasises the need for internal marketing programmes to get users switching to MS. Extensive work being done with Ministry of Defence on Window NTAS for Project Dawn (perhaps biggest shake-up in MOD IT in the last 10 years!). Employment Department - 3000 MELP WFWG 3.11.
- Developer programmes continue to establish new heights. MCP Fastrack targeted CNE/PA and first 20 signed up at program launch. MCPs achieved YTD is 708 (75% of target) - 236 in SPs, 143 internal MS technicians and significantly, 284 are Windows NT MCPs. A further 1112 individuals are in the pipeline. UK TechNet sales climb agressively to 701 subscriptions, 150% of YTD target. 3rd successive month UK highest European monthly run-rate at 185 subsciptions. Devcast 4 proved highly successful, with 2447 registered from a 18,500 mailing. 955 attended and over 6000 watched at downlink sites.
- MS UK SCI for Q3 was 35% up from 23% Q2. Major change is satisfaction rating, key drivers remain the same with issues as reported for Q2. Does indicatesome randomness in results however. We should apply smoothing to even out variability.
- Microsoft's Charity Programme publically launched with the first major event, the BBC televised Royal Variety Performance on April 24th. Good spin-off for Consumer and Education businesses.

- City Financail Market is "turning" on the back of Excel 5.0 and Windows NTAS. 90% of all Merchant Banks and Dealing rooms have NTAS pilot. Leverage new Reuter Terminal eg. Natwest Markets rolloing out to 700 trading stations on back or RT. ; Lloyds Treasury.
- Novell WordPerfect merger. We are going to include WordPerfect switching materials within all current Office campaigns and run an insert campaign based upon "there has never been a better time to move to Word/Office" theme. We are currenly working with Legal to see how closely we can reference recent WordPerfect history (ie no more MS-DOS software, no more free support, sold the company).
- WordPerfect will be launching their 'MainStreet' consumer products in April.
- TV advertising in April in London, Meridian and Anglia. The campaign will allow us to continue gains in MIE, communicate meaningfully to lower end users as well as core audiences, consolidate our leadership position and support our increasing activity in national/vertical press. Objective is to raise advertising awareness by 13% to c.35%
- Consumer Home £200K launch campaign in April in national press
- Travel Business Sector. Extensive opportunities identified to ensure that Galileo's next generation Travel System based on all MS technology and use Travel Information as a key component of On-line Services. Bill Anderson seen initial plan and agrees in principle. Should be identified as a industry focus for Corp, rather than being driven by the Sub.

Sweden

- March ended above budget thanks to rolled back deferred revenue from fall. However we did not meet budget with incoming order or net invoiced revenue. This was basically the effect of an earlier closing than originally planned.
- All three distributors have reported an increase in demand and sales through in March. Eg. C2000 increased their daily run rate from MSEK 1.1 up to MSEK 1.4 in March (same trend at Scribona and Datateam).
- NT did a strong month (99%) and we are very optimistic that the trend will continue as our 68 documented design wins are winning in press as well as starting to bring in revenue.
- Office is still doing extremely good. The new pricing strategy on Mac Office has started to give effect.
- Lotus challenged us together with the main chain in Sweden, Owell, on a nationwide shootout. The rating we have received so far shows that we came out better. However another side of the coin was that some of the invited customers (Microsofts) had never listened to Lotus before which seems to be unnecessary doing.
- Future outlook is still positive and we plan to end the year more or less on the originally FY94 plan. A downside in April is that Select forecast has decreased MSEK 4.5 due to low base quality of the program. Accounts reporting complaints of the inability to download licensees from the CD which will slip Select revenue into the next Q or even worse loosing it forever.
- In April we will announce the first Microsoft Windows Usability Partner ever outside US. We will appoint NOMOS in Sweden and expect tons of press from that.
- In a survey conducted by Orvesto our locally produced MS Magazine was rated highest in number of readers, readability and most value for money. It was also honoured for being so cost effecient.

Norway

Denmark

Finland

- This report has been made with just preliminary end of month sales numbers. Sales in March was only 35% against the budget. YTD against the budget is 81% in Retail sales. Coming months look still very promising due high orderstock and high Select revenue expectations in April. We also still expect year end result to be 95% in Retail sales. OEM monthly revenue not yet available, but we estimate it to be very clearly over the budget. YTD for whole FY94 will be 100% for OEM.
- Tietotehdas Oy, largest and very much maainframe focused conculting house, bought 60% of Dativo Oy's (client/server support and system integator) shares.

- ICL Data bought ABB Datasystems.
- Sun Microsystems had just 6 months GM Kalevi Pietiläinen working for them. He is now taking new position as GM for Cap programator Oy.
- Anti-Piracy activities are getting stronger and stronger. Long lasting training for Police have now resulted very strait forward actions. Police made a raid to 2 dealer/srewdriver companies. They took all their computers, book keepings and put even management to a jail for 3 days. Major press coverage have resulted daily telephone calls from customers who would like to get their licenses right.
- Windows exhibition in Helsinki was big success with 21 000 visitors in 2 days.

Germany

- SNI:The Embedded Agreement has been signed. SNI has shipped 120 k units of PCs in the first quarter of 1994. SNI will license WORKS 3.0 and is interested in licensing the KID's products and different Multimedia Titles. Detailed discussions for the consumer market (family PC) are ongoing.
- ESCOM: The operation system agreement is expired. The new one has not been signed yet, we have a verbal commitment from Mr. Schmitt, CEO, for the following conditions: One quarterly minimum commitment will be set to 0 dollar, to be able to reduce the prepaid balance, the other quarterly payment will be 1,900,000U$.
- VOBIS:VOBIS now holds 20% of MAXDATA. Maxdata will be amended as a Exhibit T company in the VOBIS agreement The minimum commitment from the High End Application Deal will be decreased (same Royalty), effective date 1.1.1994. VOBIS sold in the last month 7500 Units Novell DOS 7.0.
- Results for March were 65% of Systems revenue budget bringing the division to 54% of plan year to date. Strong sales of WfW and Windows did not made up for the weaker sales of MS-DOS and the shortfall from Windows NT and Advanced Server.
- MS-DOS 6.2 sales were 11.264 units, 146% of unit budget although only 63% of revenue plan. This does not include 1.191 MS-DOS/MS Press book bundles (30.691 year to date). The Stac verdict created substantial confusion and although we continue to ship 6.2, it is not clear when 6.22 with a new compression program will be available. The major activities for MS-DOS are focused on the Speedy and Safe bundle with WfW3.11. The bundle became available at the end of March with advertising beginning in the middle of April. This program will also be a part of the spring update campaign.
- WfW sales were 9.144 units, 186% of unit budget and 198% of revenue budget. This is the first month that WfW sales have been higher than Windows 3.1 sales worldwide. A press release will be issued on this. 20% of the 5.000 dealers mailed to have ordered the HPA and 12% of the 250.0 00 end users mailed to have ordered updates directly from Microsoft.
- Win3.1 sales remain strong at 10.636 units, 245% of unit budget in spite of the strong WfW sales. Revenue for March was 188% of the month plan.
- Windows NT sales weakened substantially in March to 419 units, well under the 1,452 in February due to the current press coverage of Daytona. The WinNT autodemo and application CD were broadly distributed to partners and LA's in March. In addition, the autodemo will be included in the Vobis SW-CD that ships with their PC's. Primary activities now are focused on the Daytona launch due to the current extreme resource/manpower constraints.
- Windows NT/AS sales remained flat at 166 units. Year to date, 1.261 units have been sold, 87% of unit budget, not including 600 units ordered as part of HPAs. The bundle offer with WfW through Actebis has been completed with the mailing to their dealers going out at the end of March. The end user mailing for the evaluation test program was also sent out at the end of March. The results of both of these programs will be reflected in April sales. The major activities for AS are the Daytona launch and the Novell recruitment program coupled with the evaluation program.
- The Microsoft "Home World" on the Cebit booth was a huge success and German Consumer division experienced the most successful Cebit ever. We got invaluable and huge press coverage this year. The level of interest can't be compared to the years before.
- Now we will carry on with PR activities to keep up momentum e.g. a press tour to visit consumer press and a kids painting competition with a consumer magazine and other partners.
- Works Home book was approved. First positive reactions from customers at CeBit about this issue.
- The Microsoft Home Journal is now available at the consumer channel POS.

- With revenues at DM 501K, we are at a high level (93% of reforecast), YTD at DM 3,5 Mio (85% of reforecast). Proposal activity was raised to a satisfactory high, with proposal sold at DM 489K; backlog is a around DM 1.8 Mio.
- Efforts (in close cooperation with LA sales) to expanding work in Austria and Switzerland are starting to pay off: our first large project in Austria (at Federal Chamber of Commerce) is a workflow application, won against stiff Notes competition; Coop Switzerland has signed an initial framework contract for consulting in their first NT-based development project.
- Other key win: Tegut (Germany, DM 110K) - this mid-size retailer (mainly in state of Hessen) is now committed to NT/NTAS migration and has agreed to a framework contract for consulting in this effort.
- Two Highlights in PR: Innovation of the year 1993 (prizes by Ziff Davis/PC Pro during CeBit): OLE 2.0 and Plug & Play Technology; Finalist: Intellisense and Flight Simulator. (Last year only finalist). Also, the CeBit was very successful (broad interest in HOME products and Kids Software by TV stations)
- Training: we conducted 32 training events (199 participants,) with a total turnover of DM 143.597. We offered a broad range of themes this month, in total we had 14 different training types but we focus on training for trainer.
- Seminar Marketing: we had 4.684 registrations this month, year to date there are nearly 28.000 registrations. Some seminar events were overbooked up to 200%. One issue in Seminar Marketing is the sometimes high drop off rate which is about 30%. We will address this problem during the next month. An other big issue in Seminar Marketing is the follow up. We have over 20.000 highly qualified addresses which are not selectively used by Direct Marketing.
- Courseware: DM 349.688 was earned, selling courseware (service to our training partners and large accounts). The price is very low (DM 20,- to 30,- per piece) and it makes it very easy to set up training for Microsoft applications ore system software.
- MCP: the curve is going to speed up. In total we have 318 test participants. During the next weeks a series of promotion will be run to accelerate the MCP business (i.e. the „Novell Recruitment" ; next ATC certification round). According to Gaby Zillner about 70% of the interviewed people at the CeBit will take part in one test at minimum because we gave them a free voucher.
- Info Service: the call situation is becoming better. In the middle of the month we had an abandon rate of just 20%. Then the CeBit - effect occurred and in the end of the month the average abandon rate was 55%. This means an improvement of 10%. The number of BTX - page contacts went up to 185.811. This is a very good sign because our customers accept this very cheap medium to contact Microsoft directly. But BTX becomes a very interesting distribution channel. In March we sold 2.907 pieces of software through this medium!

Switzerland

Austria

- Net revenue excluding adjustments from Merisel and Vobis are AS 32,3 Mio. or 88 % of budget. Including Merisel we are on AS 41 Mio. or 112 % of Budget MTD and on 116% YTD.
- March traditionally is not a big spending month. Although the economic indicators do show some upwards trends, there is still some scepticism for the CY 94. Economic forecast shows a small growth of approx. 1% compared to -2 % in CY 93. We aslo see a more positive attitude against Microsoft in the MIS departments. NT, NTAS, SNA, etc. are gaining more and more acceptance.With the signature of the last two ministeries, defense and trade we have now all 11 Austrian ministeries under Select. With BAWAGs decision , a large Austrian Bank, to select NT AS as fileserver and replace DECnet SNA with our SNA server we made a big step further in penetrating NTAS in mission critical environments and have a very important show case.
- Good feedback on DEVcast which we organized together with DEC. We had 150 participants.
- MSIN turns out to be a very successful and valuable tool. We already exceded our year end goal of 600 subscriptions by 48.
- Very successful Office-update parties organized with key dealers all over Austria. In total we had more than 3000 people on those parties and helped the dealers to sell products right on the spot.
- Several large projects (government, banks and industry) with Office, WfW, Hermes, etc. under evaluation

Russia

Poland

Czechoslovakia

- Budget: 519 906 USD, Sales: 551 633 USD 106,1 % of monthly budget 112% of budget
- OEM preliminary data: March sales 607 603 USD - YTD sales 1 288 944 USD- 182 % of budget
- March SVED - Buhl not included yet in report - it is about 130 000 USD
- means we reached Presidential Award 7,9 mil USD by the end of March
- no P&L available to me so far, but we were still carefull with spending so expecting no problems,
- contribution margin by far better then budgeted
- slow decline of retail sales caused by:
- absence of localized products - all deltas with the exception of WinWorks increased
- OEM sales influenced retail DOS and Windows
- constantly and very high over OEM budget both SVED and OEM royalities
- MOLP - slow start, education of charinel done we have to concentrate on customers
- 14 major local OEMs signed
- more than 250 active SVED contracts
- first results of succesfull governmental conference starts to show: strategic deals with Ministry of Finance, Czech Insurance, National Bank of Slovakia, close to contract : Czech Saving Bank
- first Select enrolment in EE with ABB!
- add campaigns continuing
- new major interviews in journals
- preparing launches of WfW and new localized products included Office
- first BSA antipiracy case - press conference - big positive press and media coverage

Hungary

France

- March revenues totalized 133.6 MF (i.e. 85% of the budget and 95 % of the reforecast) despite a big B.O. exceeding 23 MF and the start of direct shipment from Ireland early April.
- Distributors made a very good month : 79 MF (97 % of the budget) thanks to a very high order rate of the Upgrades Promotion (65 MF in two months).
- Chains performance was bad : 14 MF (53 % of the budget) ; they clearly sell less and less software and are being beaten by SODs on Select and Molp businesses.
- Hardware manufacturers were above budget : 15.9 MF thanks to on-going deals with PCW, IPC, Olivetti and the new Zenith / Office joint shipment.
- Direct Large Accounts made 89 % of the budget.
- On the product side, Office + Excel + Word sales in units were at 100 % of budget an - 5% in revenues, thanks to record sales of Office and Excel updates.
- The Molp program is still growing with a record month of 9 MF invoiced.
- Education sales are high due to the « Licence Mixte » orders.
- The South-East regional agency did sign its second Select contract.
- Select contracts signature is increasing and will soon include strategic accounts such as EDF.
- Our current delivery problems are affecting our sales, especially in the Education Market where we didn't solve the issues for more than 2 months.
- We'll be launching a series of promotions: Mouse promo (390 F + hotel nights), MS Home promotion in the Mass Channel, FoxPro 2.6 launch (at 890 F HT), and the biggest one : the Spring Promotion, that will focus on our Office line and will exploit the Multimedia Momentum: when buying Office you get a free Sony CD-ROM reader and when buying either Excel, Word, or Access you get a free Windows Sound System !
- The MS Home promo is clearly a « try and test » approach to prepare our entry into this market and get ready for Christmas 94.

Italy

Holland

- March sales ended at NLG 7,554K, 105,5% of budget. After six months our total sales is NLG 45,595K, 92% of our re-forecast, yet 146% of budget. The total backlog is still very high, NLG 2,240 K.
- Successes/Failures - Word 10+ is having a great start. We already sold 17,000 units to the channel. It is well accepted in the market and the sell-through is going well. The 10 retail outlets that are participating in our ad campaign are very enthusiastic about the advertising, the POS materials and the incentive actions. We are very successful with the disti "See-it For Yourself Seminars". Already 900 attendees registered. Generally the dealers had a good month. They had a decent order intake. Most of their sales was hardware. Because of the price war in software products, which we reportedly have started, it is difficult for some dealers to sell software. Some of our dealers are not selling active Word 10+ because of the low margins on the product. As a result the business is moving fast from the traditional dealer to the mail order or retail shop. Dealers are forced to make a decision whether they will specialize in solutions or just be in distribution of software. Word 10+ is selling well. Although the first week we had some delivery problems, things are going better now. Most of the crew of the participating shops are positive about the Word 10 + promotion. As there are about 110 outlets involved, it is difficult to communicate with the shop crews. We found out that some crews are not familiar with the incentives. WordPerfect is starting slowly in the channel. Only Escom had some WordPerfect demarrage packages on stock, and Megaworld advertised with the WP demarrage promotion. Getronics signed the SP agreement which will be communicated during LAN World in April. They promote AIC, the ADC, ATC and ASC services individually and as a 'one-stop-shopping' system integrator. We had a very successful event on Nijenrode with our SP's which is resulting in better support and commitment of EDS, RCC and CMG. (this means actively getting the MS products involved in their sales cycles).
- Business Opportunities/Threats - WordPerfect started their campaign against Word 10+. They are offering WP for MS-DOS or Windows at NLG 325 SRP and additional Quattro Pro for NLG 45. We did the right thing to stuff the retail channel. Because of this move they are not able to sell WP there. But the breadth of the channel is well used by WP. They offer larger margins than we do. MOLP is not well sold by the dealers yet. One of the reasons is that although we produced Dutch leaflets and gave some presentations the product is still unknown by the sales. Another reason is the price difference between the MOLP prices and the prices of the licenses. Sometimes it is even more advisable to buy a normal license. We will push harder to achieve MOLP targets.
- OEM - Sales in MS-DOS units this month are disappointing as we are down to 6,000 units. This is due to lower PC systems sales in the channel and excessive stock taken by the DSP's in February. Windows penetration has increased to 64% of which Windows MED sales is on 45% of MS-DOS sales, DSP on 72%. MED/DSP revenues has been excellent due to high sales last month and some accounting corrections. This month we had MED/DSP revenues of $776K. For the P/L the sales of OEM mice counts as OEM revenues. This means that the mice delivered to RRD and invoiced by BV are a part of the OEM revenues. YTD this is around $1000K. Two outstanding issues with Tulip were resolved. Tulip will start to participate in the Word10+ campaign on 11/4..
- LA sales - KPMG escalated their Windows NTAS backup and restore problem again. Even the director of RAET escalated this problem towards Bill Gates. We faxed this letter to Mike Maples. We prepared the upcoming visit from Shell IC and Shell EP at the EBC in Redmond. The main focus of this visit is to get their attention on Windows NT. The senior management of EP and IC spoke also with Steve Ballmer The EBC meeting was again an improvement in our strategic partnership. After this meeting we will have the opportunity to get NT on the recommended softwarelist of Shell. With the Ministry of Agriculture we agreed upon the contract together with DEC and it will be signed in April. The Select contract with Canon was finalized this month. One enrollment in Holland for all the European subsidiaries. We started a project at the Open University to connect a potential of 60,000 students with remote Mail to the University. The visit of Bill Gates to the Netherlands and especially to the university of Nijenrode together with the foundation of the National Advisory Council (NAC) on the 11th of March were successful.. In the division ING Bank the Netherlands we will participate in their IWA-project with Windows for Workgroups 3.11. New initiatives towards National Netherlands and AMEV are being developed. At Rabobank Laura we are in the middle of a very important RFP phase. The ABN AMRO Bank have decided for Windows for Workgroups in all their branch offices (1500).

Belgium

- This month we reached revenues of BF 114.288.000, representing 90% of local budget (after rebates) and 83% on a YTD basis. The shortfall is caused by lack of products that were needed for our UYW campaign. Some BF 8 mio were generated through MOLP agreements. The OEM business remains strong with march revenues exceeding budget with 300% representing a historical record in FY94.
- This month we launched the UYW campaign (RUPs & CUPs) incuding an extensive direct mail program (with advisory disk) and the participation of a number of selected dealer partners targetting the SMORG market. Sony sponsored the check-up disk by offering 150,000 floppies for free and adding our check-up disk as free floppy bundled with their retail products. In addition we plan on organizing "Microsoft Upgrade Days" with 10 active dealers in Belgium. We launched the program at an event with some 300 dealers and with Mike Maples as guest speaker. We took orders for some 15,000 upgrades in march including CUPs and UPs.
- To further penetrate the SMORG market, we have implemented a joint program with Compaq, including inserts in a few dailies, a special edition of the advisory disk, radio ads and joint mailings to small & medium sized companies (60,000 mailings). The relationship with Compaq is very good.
- The visit of Mike Maples was very valuable with a joint DEC event where top Large Accounts from the Benelux were invited, extensive press contacts, a breakfast meeting with Solution Providers, a dealer event and some Large Account sessions. We ended the day at Gala Dinner organized by a main publisher where Microsoft received four (Benelux) awards with Excel, MS-DOS, Access, and the "Plug and Play" technology.
- During March, we organized LA roadshows in 5 cities with the participation of 30 Solution Providers. More than 500 EDPs attended the sessions where we demonstrated our strategies and a life demo of the concept "At Work". The event showed a smooth interaction between the SEs, the LA reps and the SP reps.
- Microsoft Academic Select is very successful in its target audience. We have an Academic Select in negotiation for the K.U.Leuven and the "Strategisch Plan Regio Antwerpen".
- DEC's LAR activity has increased during the last weeks. 46+ persons have attended a presentation on the Microsoft Licensing Policy (Select, MOLP, Maintenance).
- Three new Solution Providers, signed up in February: C.D.S.I., Soft Cell and Ceratec. This brings us to a total of 52 Solution Providers, of which 14 Solution Partners and 39 Solution Alliance. Others in negotiation are: KPMG, Soficore, ARM-SIE, Tetrasoft, ATEA, Intergraph, Logica, Telinsys, Telindus Luxemburg and Belgium, ABIS and turboDATA.
- The conversion from MED to the DSP Program is still in process. Some MEDs are clearly shopping for OEM products (some info from Cebit), others are ordering smaller quantities and some are still ordering from RR Donnelly (Computer Paradise, BIP, Eurosys). This is confusing and expect that this migration process will take till june.
- Our anti-piracy activities are very successful. Five cases are settled, two are pending and three taken over by BSA. The impact of our activities and press releases is enormous. More and more customers are calling us for information on OEM licencing conditions. Our awareness campaign "Recht op Echt" is finalized. Posters, stickers and danglers will be distributed to our customers this month. We continue to purchase computers in the channel. We initiated six cases last week.
- The new organization structure has been announced in both countries and is effective as of April 1st. We have choosen for a more integrated Benelux approach regarding sales & marketing activities. The WW Sales & Mktg Meeting will serve as a good basis to start planning for FY95.
- The outlook for the fourth quarter is good. We expect to be on budget for all three months. This would mean that we expect to close the full fiscal year at 90% of retail revenues and 95% of total revenues including OEM.

Spain

Portugal

IV. Competitive Info

Lotus

UK	Lotus due to launch PASSPORT (equivalent to SELECT/MOLP). We have been waiting for over six months now for some key changes to SELECT, PASSPORT will address these. Could impact on MOLP sales.
UK	Lotus SP Program having little impact with SP partners - seen as non-quality program to-date, if seen at all.
Sweden	Lotus continues to be very aggressive in their marketing communication. Pricing on SmartSuite SEK 4.400 which is the same campaign pricing they have run since August 1993. This is a recommended price so we will find a street price below SEK 4.000. This is a negative uplift compared with US. Lotus is also very aggressive in the channel introducing CLE (Certified Lotus Engineer) and they claim they have certified over 200 in Nordic already (SmartSuite and Notes). They have re-launched their Authorized Education Centers program. Finally they are communicating our Workgroup strategy as a mess compared to theirs.
Austria	Lotus was quite visible together with Actebis. Actebis ran a Lotus promotion campaign and heavily promoted Smart Suite. Lotus also tried to copy our EDU Select program but did not succeed.
Czeck	Lotus opened office officialy, Notes start to emerge. We lost Czech Insurance to AmiPro because of reduced quality of WinWord 2.0 localization
Holland	*Lotus*: introduced their new partner & support program on Wednesday 23rd of March, Lotus Business Partner Program.The Lotus Business Partner Program has six different areas: Authorized Reseller/Distributor Authorized Systems Integrator Authorized Consultant Authorized Support Center Authorized Education/Training Center Recognized Professional Developer In these areas there are two different levels:- the Business Level and the Premium Level; e.g. A Lotus Reseller Business Partner has no Account Management; A Reseller Premium Partner does have Account Management and other interesting benefits, such as 50 free licenses Notes, 50 free licenses cc:Mail, 50 free licenses SmartSuite and 200 additional licenses at 80% discount. Their aim is 20 Premium Partners and 200 Business Partners. Lotus has a clear focus on the Windows market with some advertising campaigns in march, focusing on cc:mail. They seem to got track of our SP list as we noticed an increase of 'Lotus activities' within our SP accounts. As the majority of the SP accounts use Notes to provide their customers with services, we must see to it that the SP's do not continue investements in Lotus technology.
Belgium	Lotus: plays a lot on the integration feature with Notes which is dominant in accounts who have decided for Lotus. cc:Mail remote does not provide remote users with a list of the available messages on the mail server before to send them to the remote station. This one of the reasons why Tractebel engineering has chosen MS Mail. IBM is now pushing Smartsuite. Lotus is suffering from our UYW campaign.

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WordPerfect

UK	Word Perfect: Mainstreet launch expected in April. Rumours of product delays still evident however.
Finland	6 largest dealer chains, having over 60 outlets country wide, reported Microsoft sales to be 70% of their sales. WP 20% and Lotus 10%.
Finland	Same 6 dealer chains also gave some mutual comments about our competition. "WP visits us every 6 months"(WP's headcount is 4 times more thatn ours) and "we don't even know how their GM looks like". "We don't have any idea what Lotus is doing".
Germany	Wordperfect Mainstreet did a bad job at CeBit compared with us!

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Austria	Also WP was very busy to approach schools with a special program. According to our information they also where not very successful.
Holland	WordPerfect Started "demarrage" as a reaction on Microsoft Word 10+. Their pricing is very competitive. WordPerfect 6.0 for Windows or MS-DOS for NLG 399 (incl. voucher for Quattro Pro 5.0 Windows for NLG 45,-- or WP Presentations 2.0 Windows for NLG 45).
Belgium	The aquisition of Wordperfect and Borland's spreadsheet division is creating a lot of questions in the minds of customers. Decisions on local management structures have not yet been taken. We will take advantage of this confusion to further attack the wordprocessing market.

IBM

Sweden	IBM OS/2. Decreased mindshare in the channels but still extremely aggressive in marketing communication. IBM challenged us on a shootout bringing in their best demo cowboys from the US. They went out to the press and wanted us to come running the challenge on a standard 486 pre-configured with 16 MB. We would not let them dictate the terms. They are bragging about how many OS/2 that have been sold but very seldom you see the customers.
Germany	IBM has started advertising PC-DOS 6.1 and OS/2 for Windows in Germany.
Austria	IBM still spends an enormous amount of advertising money into OS/2.
Belgium	IBM: No real impact on our OEM market with PC-DOS. OS/2 is doing a better job. LAN-To-LAN-WAN is a very required product. It uses IBM's END Node implementation of OS/2 EE, and connects LAN's over an SNA backbone. It is clear that the win at CERA will encourage IBM. On the other hand, we do not see others customers being influenced by the CERA decision. The implementation of OS/2 stations at CERA is creating frustration internally and will not be easy. CERA have decided to continue purchasing/using our Windows applications.

Novell

Sweden	The only partner concept today in the retail channel where the partner perceives a true value is Novells Systemhouse concept. Good information with precision, high level of communication and dialouge, treated with respect and more things was mentioned in our qualitative research prior to our planned Integration Partner launch.
Sweden	Regarding Novells merger with WP and the product purchase from Borland I am surprised that they gained so little press. Very small visibility from local Novell and WP, they really missed that opportunity.
Germany	Novell DOS 7 now available: Full product $99, Update $49.
Germany	Novell is running an ad campaign promoting partners particularly in Netware SFT III, Netware for SAA and the Multiprotocol Router.
Germany	Novell's deal has broad coverage in Germany. It is estimated that Novell now will change the competition situation for Microsoft, even if Novell still remains a "halbe Portion" (Computerzeitung).
Austria	Strong advertising campaign together with C2000 carried out during March
Holland	Novell sales of Netware 4.0 is increasing as they are monitoring a select channel carefully. Especially the original IBM VAR's sell the Netware solution succesfully, often in combination with SAA, despite the better price / performance of NT AS and SNA services.
Belgium	Novell: Some OEMs talk about Novell 7 or Personal Netware. Some MED customers take Novell serious as an alternative for Microsoft. Although no decisions were made in favor of Novell, we have to pay attention. Certainly Personal Netware can be a danger to WFW 3.11. It is clear that all OEMs are still focused on selling Netware 3.12. They know the product and it is easy selling. Local OEMs sell two to five small networks (10-20 users) a month. Novell is getting a lot of revenue out of these customers. Therefore our action will be focused on training (MCP Program) and communication (fax mailings - action with 32 bit application sample). Netware is likely to become the network OS imposed to P&G Europe by P&G HQ.

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Borland/Claris

Germany	Intuit will work with Gebacom the get the BTX support (German Quicken is supposed to ship in April).
France	Following Borland financial problems, the sub seems to have big trouble : reliable sources indicated that their last FY turnover (closed late March) was -50% vs last FY : 105 MF vs 210 MF.
Holland	Borland: in the Shell retail project BSO advised Paradox for the gasoline stations project. Together with Shell and BSO we will reinvestigate their solution. Borland is working with WP to close deals and is very dominant in the educational market

V. Flags

The following are extracted from the GM reports. Red flags indicate issues that have been escalated outside of Europe. Yellow flags are currently being handled within the region, but merit management attention. I have not prioritized these issues.

Country	Red Flags	Action	Status
UK	Systems Product: Daytona packaging & pricing still not finalised & together with lack of FOC upgrade is stalling LA sales	Neilho/Philb escalated to Redmond.	Pending WWSMM?
UK	Systems Strategy whitepaper urgently required from Redmond, first promised 4 months ago.	Follow up with Redmond, again.	
UK	EHQ Legal. Approval delays on support contracts. If cannot supply means offering free support which hits cost recovery. To date 30 contracts worth £150k on hold.	Escalated to EHQ.	Steve Ringelberg resolving.
UK	Large A/C's. Lack of Select 3.0 and upgrade pricing to Daytona	Neilho	Corp. Still working on Content
Finland	Delivery system is not acceptable. Even with high quality forecasts it is not working well.	A plan made with Ola Thunfors, to recruit consultant to analyze problem areas. Personnel in logistics comparing disti/own order stock product by product.	April 15th results from our own analyses.
Germany	The Chicago introduction is not clear yet. A strategy is missing about when we should show the product to whom. We didn't show Chicago to journalists at CeBit and the interest is very high.	Meeting held up this week will clarify future PR-plans & strategies	9th of may short Chicago briefing of editors in Redmond
Austria	lectronic communication to our partners still far away. Lotus with its Notes installations is getting more and more ground	scalated to IT	
Austria	Quality of the Select Cds not up to customer exoectations	escalated within select channel	
France	Grey import from Canada	Jeff Raikes	No answer to our report
Holland	Word 2.0 c fix for BAC	developed at BV & tested	waiting for customer response
Holland	No news on maintenance price decrease yet	raised it with top mngmnt during MYR	pending
Holland	Select documentation (availability)	escalated to EHQ	pending
Belgium	CITS Project behind schedule	Constant escalation through PSS	Implementation expected for beginning of April

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Country	Yellow Flags	Action	Status
UK	PSS customer service still drastically impacted by demand at 6.5 min av delay.	Tonyett	Outsourcing to CSI is expected to start by end April.
UK	MS training and integration with MCT European efforts	Ian Kent liaise with EHQ	
UK	Large A/C's. Recruitment proving difficult, due to changing conditions in the IT employment Market within UK.	Resolve package issues for Sales people	Awaiting proposal from HR based upon market analysis.
Sweden	Loosing or slipping revenue due to low quality in Select (MSEK 4.5 in April)	Securing base quality project started in February (Org)	Rolling, still, a long way to go.
Finland	Quality in Select reporting.	Same approach as above. Detailed analyses of reason for incorrect invoicing and deliveries.	Process to handle reports needs so much manual work that it is obvious to have quality problems in future, too. We need to have modern technology tools to increase quality.
Germany	Staffing for Enterprise Mktg	Need to close on NT and Hermes PM candidates. Need short term support for Daytona and Hermes launches	In discussions with 2 potential candidates. Had identified temp resources from Corp to help short term.
Germany	No support for Workgroup products now after Andrea Mangold leaving the company		
Austria	Support of small developpers with present contract structure (very high cost for support contract) not adequat.		
Czeck.	localizations: all RTMs slipped, unnecessary delayed caused by vetoed vendors, poor coordination of cross localization tasks, deep sub involvement necessary		
Czeck.	OEM: no decision on prices for combo with WfW and mouse, WinWorks RTMed - no SVED product available		
France	On going level of B.O.	Operations / Ireland	Needs to be discussed with Ireland
Holland	MED to DSP transition	Visiting customers	in progress
Holland	WP counter attack against Word 10+ bundle	stepped up our activities	watch closely, keep channel committed to MS
Belgium	T-prep requires a lot of work Product mktg for cluster 3 remains big challenge Need for Mac Works 4 in Dutch NT design wins still low	Look for outside partner Discuss with Rolfs Negotiate bundle deal with Apple Push on vertical markets and smaller SPs	In process Offer made Program in development