

From maurb Fri May 3 00:09:44 1991
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1> What do you see going on in your market or geographic area

- short term

FY92 Lookout.

Shipment figures are alarming. Dataquest, italian analysts and our own forecast show one-digit growth rates for FY92. This means a pessimistic 9% or a very optimistic 13%. This is not much less than the rest of Europe, therefore as far as the OEM market -made up at 95% by Olivetti- we are for FY92 budgeting zero growth or just above. Gossip say that numbers that Olivetti will post for CY90 are very bad: flat revenue (around 9k billion lira, as CY89) and almost no profit (50 billion lira, vs 200 of CY89). Fortunately s/w penetration in Italy is still so low that MS has still lot of momentum to gain, and this is what will hopefully save us from reporting business shrinking. This also partially affects OEM business. As far as marketshare is concerned, IBM and Olivetti (currently each at 27%) as well as small taiwanese importers will continue losing mshare to the advantage of small-to-medium "named OEMs". Thinking to Olivetti now, and assuming this effect is common to the whole Europe, this trend may be not so negative: only in Italy they enjoy one-third of the market, while in all other countries they have still lot to gain, and play the role of small-to-medium named OEM.

As far as products are concerned, Windows shipments will continue to be strong, and, percentage-wise, move more and more to OEM shipments (37% in FY92, 44% in FY93). Unless reverted by IBM, their support for OS/2 is not going to make of OS/2 a success, only it will keep confusion high. Royalty LAN Manager, thanks to IBM and Olivetti, will continue to gain share in the Large Acct market. If the Certification program and the associated increased mktg push that everybody expects from MS will take place and be successful, pack LM will erode share to Novell too. UNIX will continue to grow, eating share out of MS DOS on powerful platforms, thanks to Olivetti strategic push and thanks to SCO that in Italy is very powerful (and their distribution of pack LM/X will NOT help us...).

- long term

3yr lookout.

Italy is not a strong industrial country, despite high GNP and its high-visibility role among industrial countries. Trade unification of Europe will hurt Italian industry in general. Olivetti may suffer less than the average, thanks to their historical mktg positioning as european PC leader, but the smaller local OEMs will be hit, many to death. The non-Olivetti portion of the OEM business may shrink, hopefully compensated by Olivetti post-crisis growth. Obviously this evaluation will blow off if/when Olivetti, as everyone expects, will eventually find a partner for a merger. The most pessimistic view is that all the Olivetti group -or most likely only Olivetti Office - is taken over by a japanese manufacturer. More optimistically they may merge with an euro partner (but no one is in good shape) or a major stake be acquired by italian government. In both cases it will be a major blow to Olivetti, that suffers a lot a continuous "reorganization stress". Mshare: I see IBM going down, worse than Olivetti, while Compaq, Apple and other named accounts will gain enough share to kick taiwanese accounts almost off. Products: as Windows gains design-ins into hardware boxes, and as IM gains acceptance at LAs, DR and Novell furtherly shrink. The only open competition will be on high-end server, or w/station OSs, where OS/2 will be maybe definitively surpassed by Unix. The only way to stop this will be an early successful release of OS/2 3.0 (unless IBM decides to invest billions of \$ in mktg of OS/2 2.0).

2> PPBs:

Please describe what your plan is for any OEM you have that has a PPB of more than \$1M.

No OEMs like that; in the italian mkt, anyways, the regular threshold of 20-25% for a "good PPB shape" becomes 33%+ (golden handcuffs...!)

3> Competition

Who is your competition in your particular market. it could be a

|company or it could be a market, e.g. grey market or piracy.
Please discuss in order of heaviest to lightest.

Piracy is still the worse competitor in Italy. As most of the OEMs go per-system we are now losing about 6% of the Op Sys mktshare to piracy. However, and this will be only fixed by RUP -which is a risky business- we lose a lot more on the upgrades side of the house. People never goes to their vendor to buy an upgrade but rather copy it. The noises on the EC directive, and even more an Italian law, and a lot more BSA litigations, will help keeping the trend negative for piracy, but decrease is still superslow. DR is leveraging as much as possible on its DOS 5, and will repeat with DOS 6, keeping prices at loss limit, to secure old customers (and try to get new ones - this is tough). With the current technical, pricing, mktg structure, we cannot think to grab customers away from DR on a large scale. We should easily manage to keep ours, and maybe lock "unsure" customers, although always disturbing the pricing scheme. Unless some specific anti-DR action is designed, that involves pricing, DR marketshare will remain more or less stable between 3-4%. Grey-market is nonexistent.

|4> Your top 5 FY92 goals - Non account Specific

- Complete licensing DOS 5
- Expand the scope of "being MS OEMs": more mktg, working on OEM customers, start bundles with Windows, apps.
- Stay, improve synergy with NBU on IM, push it on OEM LA sales
- Hunt for customers that doubt between MS and DR, bring them home
- Fight piracy

|5> Your top 5 FY92 goals - Account Specific

- Olivetti, manage relationships (will become even more complex)
- Olivetti, secure Pen, MM
- Olivetti, push IM obtaining more mktg push from Redmond
- Olivetti, try and fight Unix devotion with OS/2 3.0
- Olivetti, increase per-machine revenue for MS