

November 1, 1991

To: DOEM, IOEM, List

From: Tom Gemmill *TG*

Subj: OEM Price Guideline for Applications Products

Attached please find the updated Microsoft OEM Price Guideline for Applications Products.

New in this price guideline are:

- Royalty pricing for Entry Applications.
- Clarifications of Finished Goods Licensing (for US distribution only).

OEMs that want to produce their own packaging for the applications should be licensed solely on a royalty basis.

OEMs that want to resell MS packaged product should be licensed according to the Finished Goods Licensing guidelines. The total price the OEM will pay for each unit of Finished Goods shipped is composed of two components: Package Component Price and Royalty. Before opening the price guide, please read through the following.

Note the formula for determining the Total Finished Goods Price:

$$\text{Total Price} = \begin{matrix} \text{Package} \\ \text{Component} \\ \text{Price} \end{matrix} + \text{Royalty}$$

Package Price: The dollar amount the OEM pays when purchasing a shrink wrapped, MS finished goods box of the application they will ship in conjunction with their PCs. For each application, these prices are found in Tables A3, B3 and C3. These are payable according to the terms & conditions the OEM is granted whenever MS makes shipment to the OEM.

Royalty: An additional dollar amount the OEM pays MS for each copy shipped. These are used in combination with the OEM's copy volume commitment to calculate minimum commit payments that will be paid MS on a quarterly basis. The royalty amount is payable for every copy the OEM ships, including those in excess of the unit volume commitment. The royalty used for straight royalty licenses is the same as that used for finished goods licenses.

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Applications Price Guideline Distribution List

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Microsoft
**OEM Price
Guideline
for Applications
Products**
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Applications Price Guideline

For all applications royalty licenses, the OEM is required to separate the application program setup/install files from the application. For character applications, these files would be put onto the MS-DOS disks. For Windows applications, these files would be put onto the OEM's Windows disks. The disk labels and OEM's application box should have the printed statement: "For distribution only in conjunction with [OEM's] microcomputer system's".

High-End Windows Applications

US Only

6-Month License Unit Commitment

A1	Royalties	2,500 +	12,500 +	25,000 +
	Excel for Windows	\$116	\$98	\$79
	Word for Windows	\$116	\$98	\$79
	Project for Windows	\$182	\$134	\$111
	PowerPoint for Windows	\$116	\$98	\$79
	Office for Windows	\$173	\$145	\$119

Foreign Language Versions

6-Month License Unit Commitment

A2	Royalties	2,500 +	12,500 +	25,000 +
	Excel for Windows	\$191	\$158	\$131
	Word for Windows	\$191	\$158	\$131
	Project for Windows	\$268	\$222	\$183
	PowerPoint for Windows	\$191	\$158	\$131

US Only - Finished Goods Distribution License

A3	Package Component Price (add to royalty in "A1")	Package Component Price
	Excel for Windows	\$83
	Word for Windows	\$83
	Project for Windows	\$116
	PowerPoint for Windows	\$83
	Office for Windows	\$125

There are two cost components the OEM pays when licensing Finished Goods applications for resale. These components are both the Finished Goods package price AND the royalty from Table A1. For each copy the OEM ships, their total cost is the sum of the packaged price plus royalty. See example on page 5.

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Entry Applications

US Only

6-Month License Unit Commitment

B1	Royalties	2,500 +	12,500 +	25,000 +
	MS-DOS Works	\$15	\$10	\$7
	Works for Windows	\$20	\$18	\$16
	MS Money	\$10	\$9	\$8
	MS Publish	\$28	\$26	\$24
	Win Entertainment Pack	\$4	\$3.50	\$3
	Win Productivity Pack	\$4	\$3.50	\$3
	Learning MS-DOS	\$4	\$3.50	\$3
	MS-Word (DOS)	\$45	\$35	\$25
	Visual Basic	\$28	\$26	\$24

Foreign Language Versions

6-Month License Unit Commitment

B2	Royalties	2,500 +	12,500 +	25,000 +
	MS-DOS Works	\$25	\$17	\$12
	Works for Windows	\$33	\$30	\$28
	MS Publish	\$46	\$43	\$40
	Win Entertainment Pack	\$7	\$6	\$5
	Win Productivity Pack	\$7	\$6	\$5
	Learning MS-DOS	\$7	\$6	\$5
	MS-DOS Word	\$74	\$58	\$41
	Visual Basic	\$46	\$43	\$40

US Only - Finished Goods Distribution License

B3	Package Component Price (add to royalty in "B1")	Package Component Price
	MS-Works (DOS)	\$45
	Works for Windows	\$60
	MS Money	\$18
	MS Publish	\$52
	Win Entertainment Pack	\$12
	Win Productivity Pack	\$8
	Learning MS-DOS	\$16
	MS-Word (DOS)	\$37
	Visual Basic	\$52

There are two cost components the OEM pays when licensing Finished Goods applications for resale. These components are both the Finished Goods package price AND the royalty from Table B1. For each copy the OEM ships, their total cost is the sum of the packaged price plus royalty. See example on page 5.

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Multimedia & CD-ROM Titles:

C1	Royalties (7,8)	6-Month License Unit Commitment		
		2,500 +	12,500 +	25,000 +
	Multimedia Bookshelf	\$22	\$19	\$15
	Multimedia Beethoven: The 9th Symphony	\$15	\$12	\$10
	MS-Bookshelf (DOS)	\$16	\$14	\$12

US Only - Finished Goods Distribution License

C3	Package Price Component (add to royalty in "C1")	Package Component
		Price
	Multimedia Bookshelf	\$28
	Multimedia Beethoven: The 9th Symphony	\$21
	MS-Bookshelf (DOS)	\$28

There are two cost components the OEM pays when licensing Finished Goods applications for resale. These components are both the Finished Goods package price AND the royalty from Table CL. For each copy the OEM ships, their total cost is the sum of the packaged price plus royalty. See example on page 5.

Working Models of Windows Applications

OEM royalty for licensing full-function/limited capacity English language versions of Windows applications Working Models is \$1.50 per-copy. Royalty is to cover Microsoft support costs. Working Models presently offered for licensing consist of Excel, WinWord, WinProject and PowerPoint. OEM is required to pre-install Working Model on a hard disk drive with Windows.

Royalty License Incentives & Adders (Tables A & C):

Z1		Adjustments
	Pre-install on hard disk drive, High End Windows Applications (6)	- \$5.00
	Pre-install on hard disk drive, Low End Windows Applications (6)	- \$0.50
	MS provides end-user support for High End Windows Apps (5)	+ \$20.00
	MS provides end-user support for Entry Apps & Multimedia Titles (5)	+ \$5.00

Finished Goods for Foreign or Non-US Distribution

Finished Goods licenses for all non-U.S. distribution versions of High-End Windows and Entry applications are offered at a 46% discount from the SRP of the applicable foreign country. Products are offered under master license; fulfillment and billing is through the local subsidiary. Charlotte Guyman should be advised of non-U.S. distribution quotes.

Determine The Applicable Royalty

The OEM's "License Unit Commitment" is determined on an application-by-application basis. The application royalty is determined by the number of copies the OEM licenses. For example, if the OEM licenses 7,500 copies of Word for Windows the royalty will be \$116.00 (from Table A1).

Applying Royalty Incentives & Adders

Considering an OEM that would like to license Word for Windows and pre-install the application onto a hard disk drive, their royalty would be adjusted as shown below.

	2,500+	12,500+	25,000+
Word for Windows	\$116.00	\$96.00	\$79.00
Less pre-install incentive	-5.00	-5.00	-5.00
Net Word Royalty	\$111.00	\$91.00	\$74.00

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Continuing with the example, if the OEM is unable to provide support in the UK, although they intend to distribute the products there, the OEM will therefore rely on Microsoft's UK subsidiary to provide support to their buyers in that country and will be charged a royalty uplift. Base royalties for copies shipped in the UK are from Table A2 and determined as follows:

	2,500+	12,500+	25,000+
Word for Windows (UK version)	\$191.00	\$158.00	\$131.00
Less pre-install incentive	-5.00	-5.00	-5.00
MS end-user support (UK units only)	+20.00	+20.00	+20.00
Net Word Royalty	\$206.00	\$173.00	\$146.00

Determining the Minimum Commitment to Quote

Quote minimum commitments at quantities no greater than the minimum units specified in the header of a particular price column. In other words, if an OEM states they will ship 17,500 units, quote their minimum unit commitment at 12,500 units and apply the royalty from that column. If the OEM expects to ship 5,000 units, quote their minimum unit commitment at 2,500 and royalty from that column.

Finished Goods Licensing & Pricing Explanation

Note the formula below.

Total Price	=	Package Component Price	+	Royalty
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Package Price: The dollar amount the OEM pays when purchasing a shrink wrapped, MS finished goods box of the application they will ship in conjunction with their PCs. For each application, these prices are found in Tables A3, B3 and C3. These are payable according to the terms the OEM is granted whenever MS makes shipment to the OEM.

Royalty: An additional dollar amount the OEM pays MS for each copy shipped. These are used in combination with the OEM's copy volume commitment to calculate minimum commit payments that will be paid MS on a quarterly basis. The royalty amount is payable for every copy the OEM ships, including those in excess of the unit volume commitment.

An OEM that licenses MS Money in finished goods form at the 12,500 unit commitment level would pay \$18 (Table B3) for each package of the application that we shipped them. In addition, the OEM would pay MS some minimum commitment dollar amounts (negotiated by the account manager) based on their 12,500 unit commitment and the royalty of \$9 from Table B1. Even if the OEM ships more product than committed to, they must purchase the package and pay MS the royalty.

Total Price	=	Package Component Price	+	Royalty
\$27.00	=	\$18.00 (to buy the pkg)	+	\$9.00 (additional payment on Qty basis)

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Notes on Royalty Licensing (A, B, C & Z Tables)

- Note 1: Application licenses require the OEM to include a Microsoft product update registration card in the box the application ships in. For OEM's selling directly to end-users this may be waived provided the names, phones and addresses of the end-users receiving MS applications are supplied to Microsoft. This applies to all products above including Multimedia & CD-ROM titles.
- Note 2: License terms are for a maximum period of six (6) months. Consult your area director for renewals or licenses greater than 6-months.
- Note 3: The OEM is responsible for production of a finished goods for end-users. Negotiate vigorously for guaranteed OEM advertising featuring the licensed application(s).
- Note 4: The OEM packaged Microsoft application can be distributed only in conjunction with OEM's PC systems.
- Note 5: The OEM will provide end-user support for licensed applications in every market they sell the product. If the OEM ships product into countries where they are unable to support the application and will therefore rely on the local MS subsidiary to provide end-user support, the OEM will be charged for those copies as per Table Z1. Adder not applicable for Finished Goods licenses since Microsoft will already be providing support.
- Note 6: OEM is provided a golden master copy of the application for pre-installation purposes.
- Note 7: Encyclopedia and Dictionary are subsets of Bookshelf, although the Encyclopedia should be licensed first if the OEM is undecided between it and Dictionary.
- Note 8: Golden masters for each of Multimedia titles are located at DADC in Terre Haute, Indiana. Contact Director of Multimedia Publishing marketing for details.
- Note 9: Pre-installation incentive is not applicable for CD-ROM and Multimedia titles since they ship on a CD-ROM disk.
- Note 10: See VP OEM and VP Applications before quoting prices below guideline or on unit commitments over 50,000. Do this by sending email to the "OEMAPPS" alias with a summary the quote you intend to make before it is made.

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