

**Donna Poreda**

**From:** Brad Silverberg  
**To:** 'richt'  
**Subject:** FW: Direct Distribution and Sale of Software to the End User.  
**Date:** Wednesday, February 17, 1993 3:08PM

this is perfect for lizw.

**From:** Paul Maritz  
**To:** brads; joachimk; mikemap; stevab  
**Subject:** Direct Distribution and Sale of Software to the End User.  
**Date:** Wednesday, February 17, 1993 11:21AM

**Direct Distribution and Sale of Software to the End User.**

The following trends are fairly obvious for systems software revenues in the coming years:

1. Windows has become an OEM phenomenon. We have 80% + market share.
2. We are currently receiving between \$35-\$50 per OEM for DOS and Windows. Joachimk thinks that with the price decreases in h/w, he will not be able to increase this - at least on a per system basis.
3. Windows NT (and its high-end successors) will be limited to 20% of the market (this is not to say that we can't have products that incorporate Win NT technology and which reach the broader market - it is just that if they do, they will have to obey some OEM price model).

This means that systems business is inherently limited in growth by:

1. the rate of new h/w sales, and
2. our ability to sell upgrades.

To address this, I want to start planning and developing the capability to harvest more dollars per PC by utilizing "direct" sales to the end-user. This has been discussed in various guises for some time - eg. CD that we distribute as a paid subscription that allows a user to use certain software as part of basic subscription (eg. updates) and also to unlock further software after phoning in his credit card number, etc.

I want to put a serious program in place to do it now.

To this end, I will:

1. work with Bradal to assign a smart program/product manager to start researching/planning how this will work for Chicago, lay out a couple of scenarios that we can review in near future.
2. commission work from Stevash (now part of Nathanm's world) to research/develop the necessary distribution technology to enable the easy distribution and purchase of the software - so that we can have this ready to go with Chicago.



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