

From: Pascal Martin
Sent: Wednesday, July 08, 1998 5:51 PM
To: Laura Chedalawada; Gayle McClain; Steven Roseta
Subject: RE: Notes from the meeting on applications

Good mail. Here follow a few additional thoughts.

GW's overall business objectives are of course around growth and profitability. Key areas of focus

Increase margin through software sales, with special interest for upsells and add ons
Increase customer loyalty to encourage repeat purchases or add on purchases

Fight price erosion through Yourware

Further increase flexibility in offering customers what they want while remaining as operationally/sales efficient as possible

It would be interesting to align what we can offer to these objectives. For instance, mixed bundles are part of flexibility.

Thanks,
Pascal
x34672

-----Original Message-----

From: Laura Chedalawada
Sent: Wednesday, July 08, 1998 3:16 PM
To: Gayle McClain; Pascal Martin; Steven Roseta
Subject: Notes from the meeting on applications

Here were the notes I took from the meeting. We discussed the MS value proposition points as well as the MS Goals and the GW Goals for applications. Please feel free to add any other points to this. I have attached the Holden Opportunity Analysis we did a few weeks ago for Steve's Benefit.

Value Proposition to GW:

The MS Brand

The additional value they get out of Up-Sells

The value of large scale consumer promotions-Campbell's Soup and the up-coming Mastercard Promo.

The value of the "SuperSize Concept" to further keep customers in the GW fold, rather than shop retail

What we perceive that Gateway Values:

Higher Margins

The opportunity to increase AUP

The "consultative approach" to the customer allowing them to "customize" the system.

A short Sales Cycle on the phone

A loyal customer base that will bring repeat business

MS Goals for the negotiation:

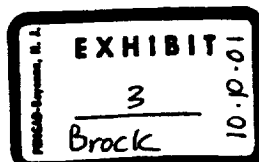
Maintain 100% coverage on DAD Products

Pricing parity on Office

Maintain 100% exclusivity on HE/Choice on the Bundles (no competitors in the Pre-Install) All MS/Gateway Offer

Balance the Add-On's business with the Retail business (we are willing to look at potential after market with a higher price)

GW Goals for the negotiation:



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We have not discussed in detail with them, but here were the surmizes based on the meeting we had and Gayle's presentation slides we discussed earlier:

They would like to ensure that the have great titles in each "genre" of offerings (Games, Kids, Girls, Etc)

They would like to burden the machine with as low a royalty as possible and take more of a Per Copy approach to up-sell to higher margin products.

They want two games bundles, a hard core gamers pak and a family oriented gamers pak

They want to keep DAD prices low

They want to look at increasaing the Add-on's business as it keeps them "touching the customer"

They did indicate in the meeting in SD that "all bets were off" in terms of the B-Series/Low end machine (if they decide to do one) And VonHalle committed to letting us know what their software budget would be for that machine.

We also discussed ensuring that in our early negotiations we marry up the other IMG National marketing programs Cindy Spodek has coming up into the discussions.

<< File: appsFASTTR02.XLS >> << File: Holden OA-Apps.xls >> << File: Addt'l tools.xls >>

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