

PLAINTIFF'S
EXHIBIT
3095
Comes v. Microsoft

From: Kunju Kothari
Sent: Tuesday, January 04, 2000 11:21 PM
To: 'MikeJ@visio.com'; Karen Lee; Dave Malcolm; Paul Sausville
Subject: Latest EA pricing slides

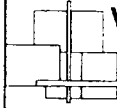
Following our meeting this morning, I added cannibalization analysis. This shows that we would need to obtain penetration of 2.2% for Add-Ons, and about 5% for Enterprise wide offer to meet current revenue fcst. Visio's current run rate is 5.6 % (annualized) so I think the Enterprise wide strategy still makes sense. Will discuss at the meeting tomorrow. Thanks



Visio EA Prang
1-3-2K.ppt

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Visio Product Division

EA Pricing Proposal
Jan 3, 2000

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Agenda

- Current Visio EA's
- EA Forecast
- MS EA Options
- Price – Penetration Analysis
- Recommendation
- Next Steps
- Appendix
 - Visio EA's
 - MS EA prices for Office, Project

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Current Visio EA's

- 13 EA's signed since June 1, 1999
- 8 EA's are less than 5K desktops (per EA)
- Covers 62.5K desktops
- Total revenue of \$5m
- Average price per desktop / year = \$26
- Usage ratio = 70% Std., 25% Pro/Tech, 5% Enterprise
- 5.6% Penetration of MS EA's (annualized)

Note: Excludes largest deal = 80K desktops, \$2m revenue, \$9 per desktop

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EA Forecast

	EA - FY 00 FCST				EA - FY 01 FCST			
	Revenue	Licenses	RPL	Penetration	Revenue	Licenses	RPL	Penetration
Total	12,200,825	425,302	28.66	8.3%	17,142,298	601,063	28.52	11.8%
Standard	9,800,053	396,643	24.86	7.8%	13,612,496	555,580	24.86	11.0%
Pro	1,219,250	19,755	61.72	0.4%	2,080,348	34,571	60.16	0.7%
Tech	210,444	2,639	79.74	0.1%	315,666	3,959	79.74	0.1%
Enterprise	905,068	8,066	149.21	0.1%	933,798	6,954	134.29	0.1%
Total Volume Licen	91,700,000	1,115,000			132,200,000	1,601,000		
EA as % of Total	13%	38%			13%	38%		

Notes:
 Penetration rates based upon reported number of MS Enterprise Agreement desktops

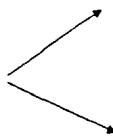
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MS EA Education

Enterprise Agreements

- Minimum 500 desktops to sign an EA
- Standardize on MS platform
- 3 annual payments
- Includes right to current version and any upgrades during agmt term
- 3 year enrollment term with 1 year renewal option
- Receive license confirmation at end of agmt term
- Affiliates may sign their own 3 year enrollment agreement



Enterprise Products

- Include the choice of the platform (Office Pro, Back Office CAL, Windows O/S Desktop Upgrades) or the individual components of the platform
- Must be for 100% of the desktops in the defined enterprise
- Pricing is based on # of desktops, 5 pricing tiers (2 published, 3 are not)
- True up add'l desktops at each anniversary at a true up price
- Billed in 3 annual payments over term of agmt

Additional Products

- Include such products as project, dev tools, servers, frontpage
- Customer can choose to add additional products after they have licensed the platform or one of its components
- Based on licenses versus desktops, minimum is 1 license
- Price levels are based on number of licenses added per product
- No aggregation of licenses like Select, each order receives the applicable price level for the quantity of licenses being ordered
- No true up or separate true up pricing
- Billed in 3 annual payments if ordered at signing or in year 1. Orders in years 2 and 3 will be billed upfront for the quantity of licenses ordered.

EA Option 1

Visio Std. as Enterprise Wide product, & Tech., Pro. and Ent.
as Upgrades to Std.

Pros:

- Portray Visio Std. as Enterprise wide product = "On Every Desktop"
- Option for customers to purchase Tech / Pro, & Enterprise as an Upgrade in smaller quantities
- Maintain EA penetration around 5%

Cons:

- Customers need to commit to all the desktops for Visio Std.
- High probability that Field will make exceptions to cover partial desktops
- Exceptions lowers price per desk top
- Customer perception that Visio EA should be very low priced (\$10-\$15 range from Business Desk)

EA Option 2

Offer Visio Std. Tech., Pro. and Ent. as add-on's (Dev Tools model). Offer these as Enterprise wide products via Business Desk

Pros:

- Customer doesn't need to purchase for all desktops
- Can add additional licenses over the 3 years
- Fewer Field exceptions
- Greater revenue per desktop
- Allows MS to get a feel for what market is willing to pay

Cons:

- Visio Std. is not on every desktop
- Field incentive based on Enterprise sales
- Prices are equivalent to Select – no discount
- Lower Visio penetration – from 5.8% to 2%

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EA Prices - Option 1

1

Vtate Std - EA price / Desktop / Year		Price Discount %			
		15%	30%	50%	70%
50,000+	\$ 32.98	\$ 22.98	\$ 22.98	\$ 23.56	\$ 14.13
0,000 - 49,999	\$ 34.64	\$ 34.64	\$ 34.64	\$ 24.74	\$ 14.85
5,000 - 19,999	\$ 37.29	\$ 37.29	\$ 37.29	\$ 26.64	\$ 15.98
1,000 - 4,999	\$ 39.74	\$ 39.74	\$ 39.74	\$ 28.38	\$ 17.03
500 - 999	\$ 43.25	\$ 43.25	\$ 43.25	\$ 30.89	\$ 18.54

2

Field Discount		Price Discount %		
		8%	15%	30%
50,000+	\$ 32.98	\$ 28.03	\$ 28.03	\$ 23.08
0,000 - 49,999	\$ 34.64	\$ 29.45	\$ 29.45	\$ 24.25
5,000 - 19,999	\$ 37.29	\$ 31.70	\$ 31.70	\$ 26.10
1,000 - 4,999	\$ 39.74	\$ 33.78	\$ 33.78	\$ 27.82
500 - 999	\$ 43.25	\$ 36.76	\$ 36.76	\$ 30.27

3

Office Std		Vtate as % of Office			
EA price		8%	15%	30%	
50,000+	\$101	33%	28%	23%	
20,000 - 49,999	\$114	30%	26%	22%	
5,000 - 19,999	\$119	31%	27%	22%	
1,000 - 4,999	\$122	33%	28%	23%	
500 - 999	\$124	35%	30%	25%	

Vtate Standard Enterprise Wide

3

Volume Level	Annual Payment			Total Revenue/Desktop if Cust. signs in		
	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3
50,000+	\$32.14	\$49.41	\$58.94	\$103.54	\$103.54	\$103.54
20,000 - 49,999	\$34.64	\$51.96	\$109.93	\$103.93	\$103.93	\$103.93
5,000 - 19,999	\$37.29	\$55.94	\$111.87	\$111.87	\$111.87	\$111.87
1,000 - 4,999	\$39.74	\$59.60	\$119.21	\$119.21	\$119.21	\$119.21
500 - 999	\$43.25	\$64.87	\$129.75	\$129.75	\$129.75	\$129.75

Vtate Tech / Pre Product Upgrade

Volume Level	Annual Payment			Total Revenue/Desktop if Cust. signs in		
	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3
50,000+	\$ 69.34	\$ 80.60	\$ 113.29	\$ 204.75	\$ 161.33	\$ 113.29
20,000 - 4,999	\$ 71.10	\$ 83.72	\$ 117.58	\$ 213.29	\$ 167.44	\$ 117.58
500 - 1,999	\$ 72.57	\$ 86.69	\$ 121.74	\$ 217.70	\$ 172.37	\$ 121.74
100 - 499	\$ 73.56	\$ 88.70	\$ 124.57	\$ 230.69	\$ 177.40	\$ 124.57
1 - 99	\$ 79.43	\$ 95.79	\$ 134.52	\$ 238.34	\$ 191.37	\$ 134.52

Vtate Enterprise Product Upgrade

Volume Level	Annual Payment			Total Revenue/Desktop if Cust. signs in		
	Yr. 1	Yr. 2	Yr. 3	Yr. 1	Yr. 2	Yr. 3
50,000+	\$ 215.36	\$ 366.31	\$ 491.34	\$ 976.09	\$ 732.03	\$ 491.34
20,000 - 4,999	\$ 269.08	\$ 406.85	\$ 508.77	\$ 1,107.18	\$ 813.69	\$ 508.77
500 - 1,999	\$ 273.22	\$ 417.97	\$ 520.57	\$ 1,119.67	\$ 825.95	\$ 520.57
100 - 499	\$ 282.74	\$ 435.56	\$ 547.56	\$ 1,148.23	\$ 871.12	\$ 547.56
1 - 99	\$ 403.03	\$ 454.95	\$ 562.17	\$ 1,209.14	\$ 909.89	\$ 562.17

Rev Impact = +12.7M, # of Desktops = 215k
Avg Rev/Desktop = \$59, Assume 5% penetration

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EA Prices – Option 2

All Prices are Net (ERP = 21.5% uplift)
 Visa Standard Add-On

Volume Level	ANNUAL PAYMENT		
	Yr 1	Yr 2	Yr 3
5,000+	\$70.60	\$73.81	\$90.97
2,000 - 4,999	\$74.34	\$80.30	\$102.76
500 - 1,999	\$78.05	\$86.58	\$114.43
100 - 499	\$83.41	\$90.91	\$120.83
1 - 99	\$84.88	\$94.41	\$125.48

Total Revenue/Desktop if Cust. signs in:			
Yr 1	Yr 2	Yr 3	
\$ 211.80	\$ 147.22	\$ 90.97	
\$ 223.03	\$ 160.60	\$ 102.76	
\$ 234.14	\$ 173.16	\$ 114.43	
\$ 250.23	\$ 181.82	\$ 120.83	
\$ 254.65	\$ 188.81	\$ 125.48	

Visa Tech / Pro Add-Ons

Volume Level	ANNUAL PAYMENT		
	Yr 1	Yr 2	Yr 3
5,000+	\$134.51	\$144.09	\$188.79
2,000 - 4,999	\$142.34	\$157.47	\$213.27
500 - 1,999	\$150.03	\$170.50	\$237.49
100 - 499	\$160.21	\$179.12	\$250.77
1 - 99	\$163.27	\$186.00	\$260.40

Total Revenue/Desktop if Cust. signs in:			
Yr 1	Yr 2	Yr 3	
\$403.71	\$318.18	\$214.79	
\$427.02	\$335.33	\$231.27	
\$450.09	\$341.00	\$237.49	
\$480.62	\$358.24	\$250.77	
\$489.80	\$372.00	\$260.40	

Visa Enterprise Add-Ons

Volume Level	ANNUAL PAYMENT		
	Yr 1	Yr 2	Yr 3
5,000+	\$379.83	\$406.70	\$532.88
2,000 - 4,999	\$401.77	\$443.03	\$601.97
500 - 1,999	\$423.47	\$481.25	\$670.32
100 - 499	\$452.20	\$505.58	\$707.81
1 - 99	\$460.83	\$525.00	\$735.00

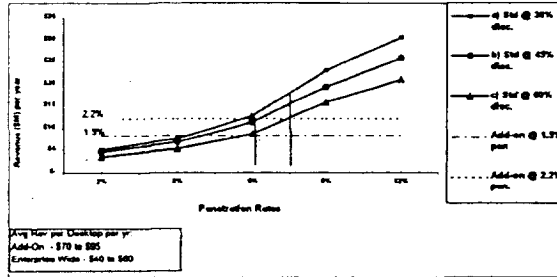
Total Revenue/Desktop if Cust. signs in:			
Yr 1	Yr 2	Yr 3	
\$1,139.50	\$813.40	\$532.88	
\$1,205.30	\$890.05	\$601.97	
\$1,270.40	\$962.50	\$670.32	
\$1,356.60	\$1,011.15	\$707.81	
\$1,382.50	\$1,050.00	\$735.00	

Analysis Summary

Rev Impact = +12M
 # of Desktops = 123k
 Avg Rev/Desktop = \$90
 Assume 2% penetration

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Price – Penetration – Revenue Analysis



- Need Add-On penetration of 2.2% to match rev. fcst of \$12m
- Need Enterprise Wide penetration of 5% to match rev. fcst of \$12m. Visio's current run rate = 5.6%
- Potential for Increasing revenue if Enterprise Wide penetration is greater than 5%.



Recommendation

Sell EA under Option 1 – Std as Enterprise wide offer, and other products as upgrades

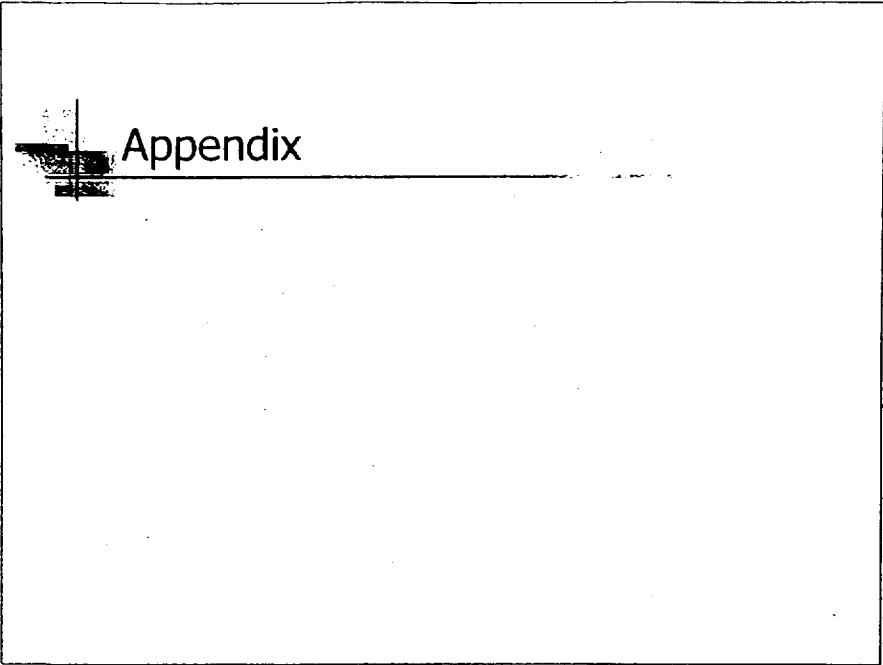
- Portray Visio as an every desktop product
- Minimal risk to revenue fcst
- Greater Potential for desktop penetration
- Greater potential for revenue upside

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Next Steps

- Validation with Business Desk / Johna
- Create SKU's
- Prices to Ops 1/25
- Price list publication 2/25
- Modify EA Agreements

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Current Visio EA's

Signed since June 1, 1999

Company Name	Desktop Count	Total EA Value	Price per seat per year	Ratio of Usage		
				Standard	Pro&Tech	Ent
1	12,000	\$897,600.00	\$24.92	80%	15%	5%
2	1,500	\$40,670.00	\$26.80	100%		
3	1,300	\$92,833.00	\$23.80	100%		x VLA
4	1,300	\$158,496.00	\$40.64	70%	25%	5%
5	2,812	\$420,647.00	\$49.86	25%	70%	5%
6	20,000	\$1,002,800.00	\$18.71	50%	50%	x VLA
8	7,700	\$902,879.00	\$39.00	10%	90%	x VLA
9	4,888	\$462,488.00	\$33.75	70%	25%	5%
10	3,898	\$303,888.00	\$26.00	100%		
11	2,991	\$229,519.00	\$25.58	100%		
12	899	\$134,090.00	\$44.74	70%	25%	5%
13	3,000	\$248,390.00	\$27.38	90%	10%	
Totals:						
	62,486	\$4,952,407.00	\$26.42			
7	80,000	\$2,101,200.00	\$8.78	90%	10%	
Totals:						
	142,486	\$7,053,697.00	\$16.50			

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Project	Yr Deal Signed			3 Pmts	2 Pmts	1 Pmt
Volume Level	Yr 1	Yr 2	Yr 3	Total Yr1	Total Yr2	Total Yr3
5,000+	\$ 140.58	\$ 175.30	\$ 249.69	\$ 421.01	\$ 358.76	\$ 249.69
2,000 - 4,999	\$ 150.83	\$ 196.94	\$ 282.06	\$ 451.90	\$ 393.88	\$ 282.06
500 - 1,999	\$ 160.80	\$ 213.85	\$ 314.06	\$ 482.40	\$ 427.29	\$ 314.09
100 - 499	\$ 171.26	\$ 224.57	\$ 331.86	\$ 513.78	\$ 449.14	\$ 331.86
1 - 99	\$ 175.30	\$ 233.20	\$ 344.40	\$ 525.91	\$ 466.40	\$ 344.40

Front Page	Yr Deal Signed			3 Pmts	2 Pmts	1 Pmt
Volume Level	Yr 1	Yr 2	Yr 3	Total Yr1	Total Yr2	Total Yr3
5,000+	\$ 36.85	\$ 39.09	\$ 55.30	\$ 110.49	\$ 78.18	\$ 55.30
2,000 - 4,999	\$ 39.03	\$ 44.04	\$ 62.22	\$ 117.08	\$ 88.07	\$ 62.22
500 - 1,999	\$ 41.22	\$ 48.56	\$ 69.13	\$ 123.86	\$ 97.11	\$ 69.13
100 - 499	\$ 45.62	\$ 49.74	\$ 70.73	\$ 138.86	\$ 99.47	\$ 70.73
1 - 99	\$ 46.39	\$ 51.45	\$ 73.16	\$ 139.18	\$ 102.90	\$ 73.16

Office	Yr Deal Signed			3 Pmts	2 Pmts	1 Pmt
Volume Level	Yr 1	Yr 2	Yr 3	Total Yr1	Total Yr2	Total Yr3
50,000+	\$ 101.35	\$ 152.03	\$ 304.05	\$ 304.05	\$ 304.05	\$ 304.05
10,000 - 49,999	\$ 113.66	\$ 170.52	\$ 341.04	\$ 341.04	\$ 341.04	\$ 341.04
1,000 - 9,999	\$ 119.63	\$ 179.45	\$ 358.89	\$ 358.89	\$ 358.89	\$ 358.89
100 - 4,999	\$ 122.01	\$ 183.02	\$ 366.03	\$ 366.03	\$ 366.03	\$ 366.03
500 - 999	\$ 124.43	\$ 186.85	\$ 373.29	\$ 373.29	\$ 373.29	\$ 373.29

Pro	Yr Deal Signed			3 Pmts	2 Pmts	1 Pmt
Volume Level	Yr 1	Yr 2	Yr 3	Total Yr1	Total Yr2	Total Yr3
50,000+	\$ 125.73	\$ 186.60	\$ 377.19	\$ 377.19	\$ 377.19	\$ 377.19
10,000 - 49,999	\$ 133.42	\$ 200.13	\$ 400.26	\$ 400.26	\$ 400.26	\$ 400.26
1,000 - 9,999	\$ 141.12	\$ 211.66	\$ 423.36	\$ 423.36	\$ 423.36	\$ 423.36
100 - 4,999	\$ 146.25	\$ 219.38	\$ 438.75	\$ 438.75	\$ 438.75	\$ 438.75
500 - 999	\$ 151.38	\$ 227.07	\$ 454.14	\$ 454.14	\$ 454.14	\$ 454.14

Premium	Yr Deal Signed			3 Pmts	2 Pmts	1 Pmt
Volume Level	Yr 1	Yr 2	Yr 3	Total Yr1	Total Yr2	Total Yr3
50,000+	\$ 160.23	\$ 240.35	\$ 480.69	\$ 480.69	\$ 480.69	\$ 480.69
10,000 - 49,999	\$ 172.41	\$ 258.62	\$ 517.23	\$ 517.23	\$ 517.23	\$ 517.23
1,000 - 9,999	\$ 179.86	\$ 269.79	\$ 539.58	\$ 539.58	\$ 539.58	\$ 539.58
100 - 4,999	\$ 193.99	\$ 290.99	\$ 581.97	\$ 581.97	\$ 581.97	\$ 581.97
500 - 999	\$ 196.35	\$ 294.53	\$ 589.05	\$ 589.05	\$ 589.05	\$ 589.05

Price Delta	Office to Office Pro	Office Pro to Office Premium
Yr	Yr	Yr
\$ 24.38	\$ 24.38	\$ 24.38
\$ 19.74	\$ 19.74	\$ 19.74
\$ 21.49	\$ 21.49	\$ 21.49
\$ 24.24	\$ 24.24	\$ 24.24

MS
EA
Prices

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Pricing Methodology

Product: Vale Standard		Current Prices			
Volume Level	Current Offering	Std	VUP	UA	UA Factor
50,000+	Select D	100.00	100.00	100.00	1.50
20,000 - 49,999	Select C	100.00	100.00	100.00	1.50
5,000 - 19,999	Select B	100.00	100.00	100.00	1.50
1,000 - 4,999	Select A	100.00	100.00	100.00	1.50
500 - 999	Open B	100.00	100.00	100.00	1.50

Product: Vale Tech/Pre PUP		Current Prices				
Volume Level	Current Offering	PUP	VUP	UA	UA Factor	Discount %
5,000+	Select C	100.00	100.00	100.00	1.50	10%
2,000 - 4,999	Select B	100.00	100.00	100.00	1.50	10%
500 - 1,999	Select A	100.00	100.00	100.00	1.50	10%
100 - 499	Open B	100.00	100.00	100.00	1.50	10%
1 - 99	Open A	100.00	100.00	100.00	1.50	10%

Product: Vale Enterprise PUP		Current Prices				
Volume Level	Current Offering	PUP	VUP	UA	UA Factor	Discount %
5,000+	Select C	100.00	100.00	100.00	1.50	10%
2,000 - 4,999	Select B	100.00	100.00	100.00	1.50	10%
500 - 1,999	Select A	100.00	100.00	100.00	1.50	10%
100 - 499	Open B	100.00	100.00	100.00	1.50	10%
1 - 99	Open A	100.00	100.00	100.00	1.50	10%

Product: Vale Tech/Pre - Add-O		Current Prices			
Volume Level	Current Offering	Std	VUP	UA	UA Factor
50,000+	Select D	100.00	100.00	100.00	1.50
20,000 - 49,999	Select C	100.00	100.00	100.00	1.50
5,000 - 19,999	Select B	100.00	100.00	100.00	1.50
1,000 - 4,999	Select A	100.00	100.00	100.00	1.50
500 - 999	Open B	100.00	100.00	100.00	1.50

Product: Vale Enterprise Add-O		Current Prices			
Volume Level	Current Offering	Std	VUP	UA	UA Factor
50,000+	Select D	100.00	100.00	100.00	1.50
20,000 - 49,999	Select C	100.00	100.00	100.00	1.50
5,000 - 19,999	Select B	100.00	100.00	100.00	1.50
1,000 - 4,999	Select A	100.00	100.00	100.00	1.50
500 - 999	Open B	100.00	100.00	100.00	1.50

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