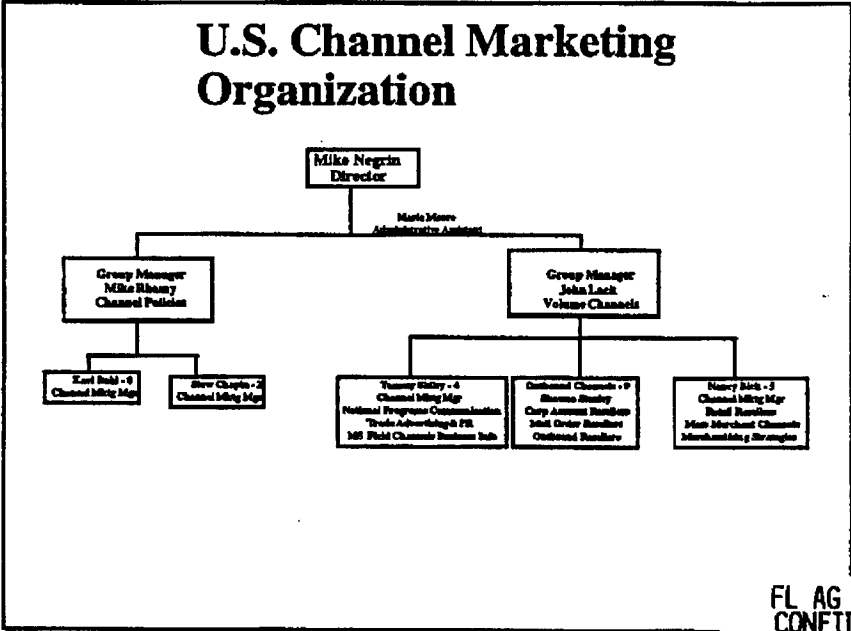


Reseller Channel Trends And Strategies

Mike Negrin, Director
Mike Rhamy, Group Manager
Channel Marketing
Microsoft U.S.
Microsoft Corporation



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Objectives

- ◆ **Helping your FY '94 plans by:**
 - **Explaining what we do**
 - **Focusing on FY '94 challenges**
 - **What we have learned to plan for FY '94**

Part I

- ◆ **Current status of revenues by segment**
- ◆ **Trends in segmentation**
- ◆ **Distribution and marketing challenges**
- ◆ **Alternative methods of distribution**

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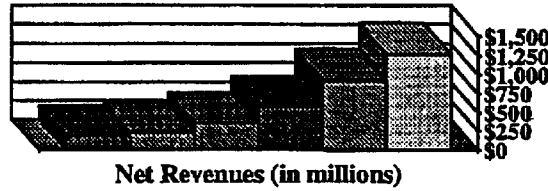
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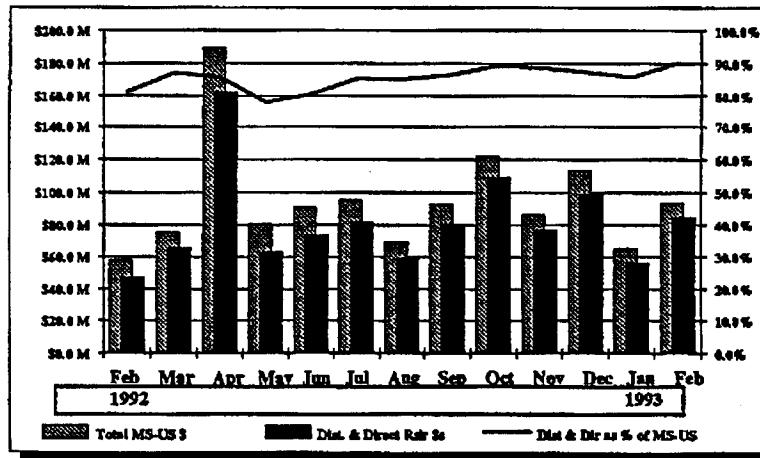
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Microsoft U.S. - FY '93

- ◆ Overall Microsoft U.S. growth = 37%
- ◆ Forecast = \$1.2 billion



Channel As A % Of MS-U.S.



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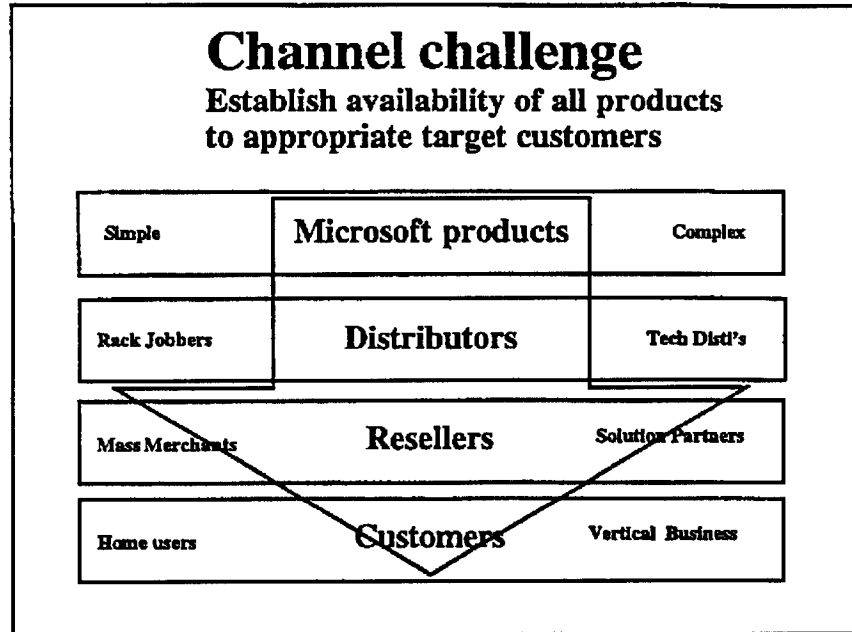
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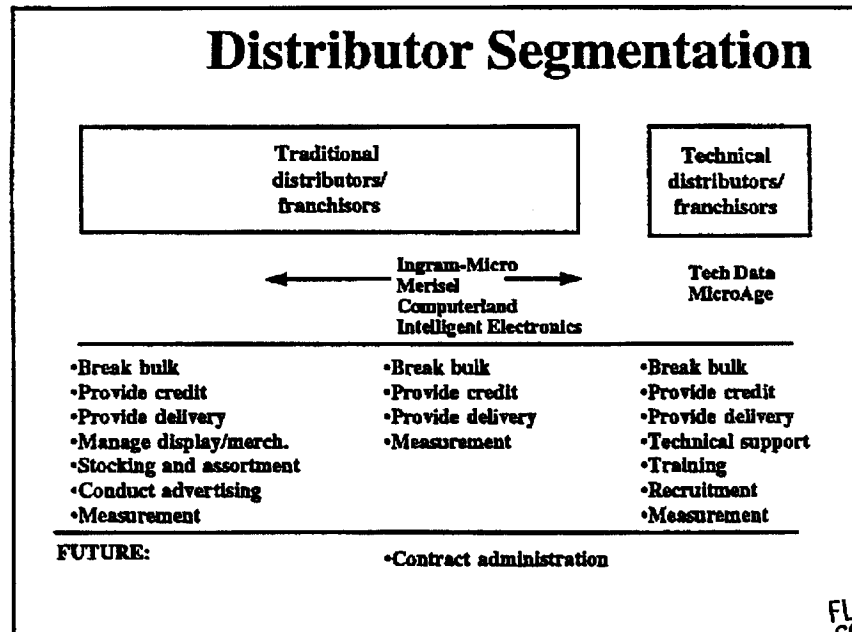
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Channel challenge

Establish availability of all products to appropriate target customers



Distributor Segmentation



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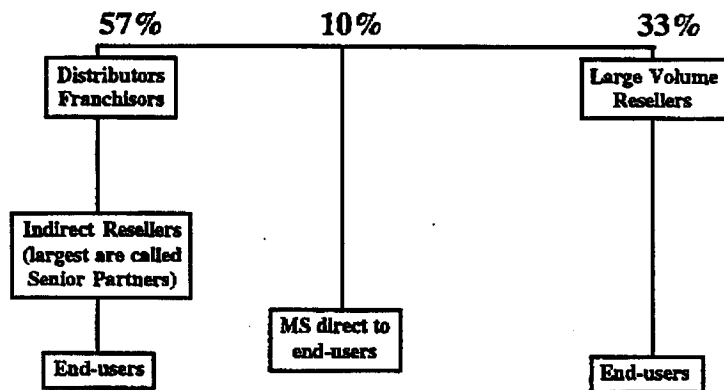
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Distributor Challenges

- ◆ Windows NT™ distribution
- ◆ Solution provider recruiting, training, and certification
- ◆ Select contract administration for indirect resellers
- ◆ Mass merchant channel development and services
- ◆ Inventory management and EDI

Purchasing Segmentation



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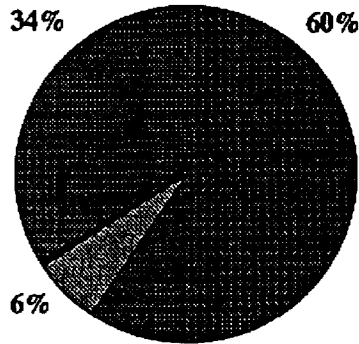
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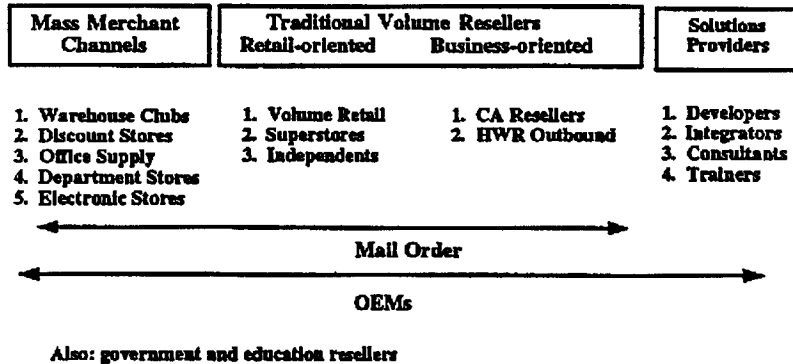
U.S. Revenues By Purchasing Segment



	FY '93 YTD \$(K)
□ Distributors	\$304.7
□ Franchisors	\$33.3
□ LVRs	\$170.5

Source: Saytopenet, fannam, llc

Reseller Marketing Segmentation



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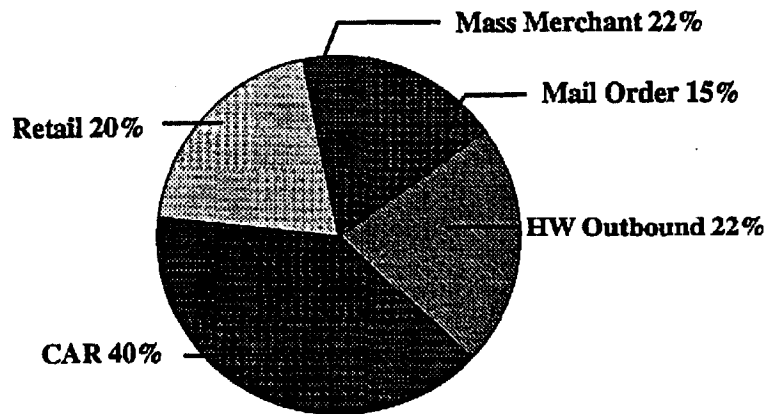
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U.S. Revenues By Marketing Segment



Marketing Segmentation: Future trends

Retail and Mass Merchant Channels

- ◆ Consumer products
- ◆ Low prices
- ◆ Flexible bundles
- ◆ Home delivery
- ◆ Software vending
- ◆ Medium margins

License Deliverers Business Oriented

- ◆ Desktop apps
- ◆ Volume licenses
- ◆ Installed base focus
- ◆ Contract admin.
- ◆ Asset management
- ◆ Maintenance
- ◆ Helpdesk support
- ◆ Low margins

Solution Providers

- ◆ Advanced products
- ◆ Premium prices
- ◆ technical services
- ◆ custom solutions
- ◆ High margins

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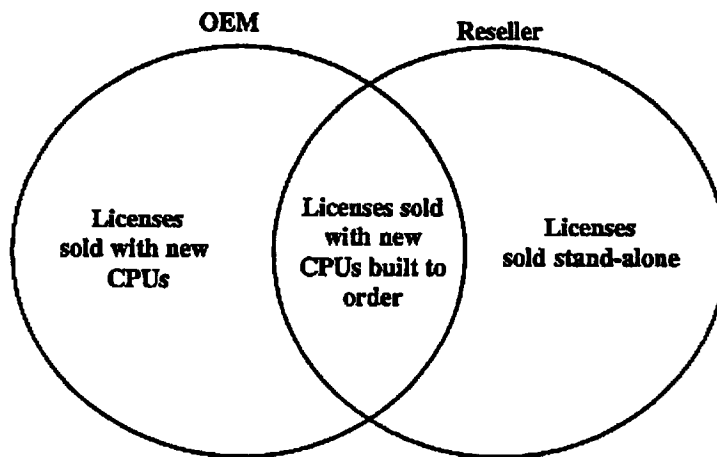
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Results Of OEM/Reseller Research

- ◆ OEM and reseller channels are converging
- ◆ Require consistent business philosophies
- ◆ Improve definitions of OEM and reseller businesses
- ◆ Account management rules of engagement

OEM And Reseller Conflict



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Reseller Business Types

- ◆ **New licenses sold unpackaged**
- ◆ **HW Reseller sales with new CPUs (packaged product)**
- ◆ **Installed base/after market sales (upgrades)**
- ◆ **Service, support, and integration (Solution Providers)**

Future Components Of Channel Relationships

- ◆ **OEM, royalty-based relationship**
- ◆ **Run-time pricing for embedded or packaged products**
- ◆ **Volume reseller relationship, terms for direct purchasing**
- ◆ **Special product authorizations**
- ◆ **Country authorizations**
- ◆ **Service/support/influence relationship**
- ◆ **Internal use**

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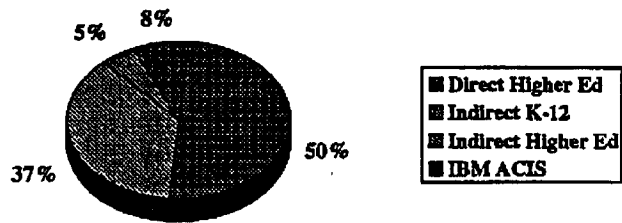
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Education Purchasing Segment

- ◆ Platform: Mac apps 47%
(Units) Windows apps 21%
- ◆ Titles: Word 36%
(Units) Microsoft Excel 18%
Works 12%
- ◆ Multi-Packs --> 8% of UNITS
--> 54% of LICENSES



Education Strategy

- ◆ Strategy
 - Lower cost of distribution through third-party channels
 - Shift business away from direct sales
 - Win the lab, faculty, and admin; students will follow

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Education Channel Mix

- ◆ **Direct sales to large campuses**
- ◆ **Authorized education dealer (AED) program (off-campus)**
- ◆ **Campus reseller/bookstore program**
- ◆ **OEM packaged product distribution**

Education Challenges

- ◆ **Beating the competition - profitably!**
- ◆ **Increasing Windows application sales**
- ◆ **Establishing Windows NT**
- ◆ **Adjusting to changes in channels of distribution**
- ◆ **Leveraging company (reseller, CA, SP) sales and marketing programs**

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Alternative Distribution

- ◆ “Any means by which software is licensed in non-packaged form”
- ◆ 1992 saw much interest in “Electronic Software Distribution”
- ◆ Major activity centered around network ESD
- ◆ CARs customizing third-party network ESD products

Alternative Distribution: Network ESD

- ◆ Leader is Novell’s Network Navigator
- ◆ MS solution will be Hermes
- ◆ Motivation for users
 - Cost savings
 - Compliance with license agreements
- ◆ Motivation for CARs
 - Greater profit
 - “Asset management” service revenue

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Alternative Distribution: Electronic Licensing

- ◆ Users don't need entire product transmitted electronically
- ◆ Users require only authorization to duplicate
- ◆ MS requires only registration information
- ◆ Licensing transaction best done electronically

Alternative Distribution: Electronic Licensing

- ◆ "Electronic License Paks"
(equivalent to MMLPs) being sold
- ◆ Benefit to customer
 - > "Instant" availability of software
 - > Simplified purchase and registration
- ◆ benefit to CAR
 - > Lower costs of sale, no product handling
 - > Customer "locked-in"

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Part II Reseller Programs Marketing

- ◆ **Helping your FY '94 plans by...**
 - **Explaining what we do**
 - **Focusing on FY '94 challenges**
 - **What we have learned to plan for FY '94**

Charter

- ◆ **Profitably develop, coordinate implementation, measure programs, tools, and promotions through third party channels**
- ◆ **Fit to division and sales goals and priorities**
- ◆ **Support alternative channels and products sales force cannot act on**

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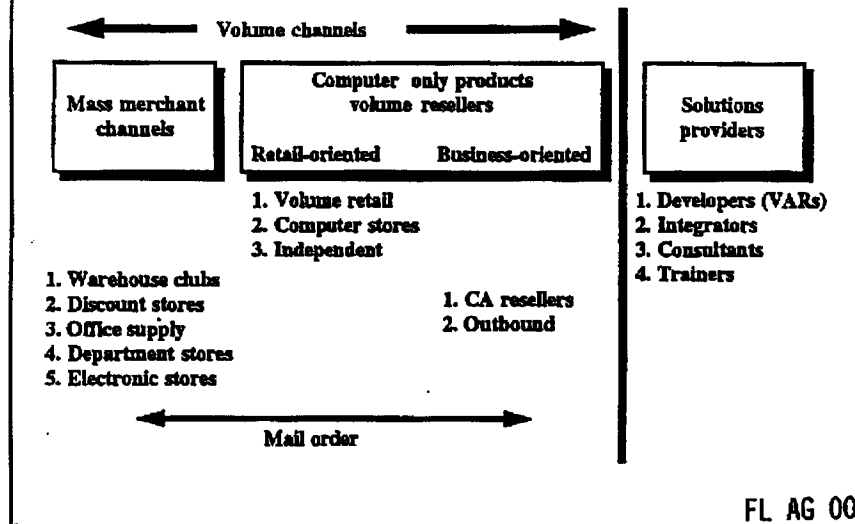
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Two Critical Components

- ◆ Correct segmentation
- ◆ Learning from history

Marketing Segmentation



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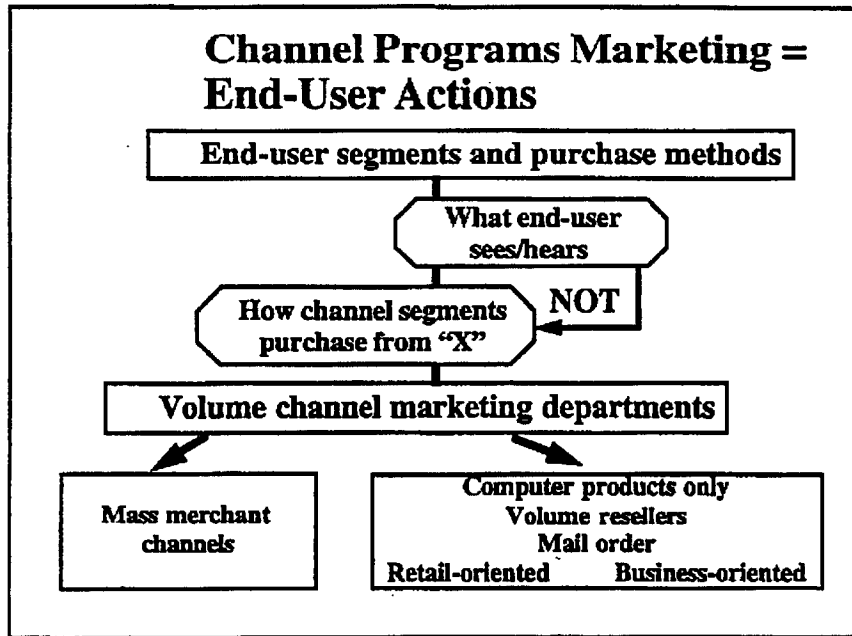
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Channel Programs Marketing = End-User Actions



Learning From History

- ◆ CMS (data) is part of it but so is...
 - > Programs measurement
 - > Programs validation
 - > Field feedback
 - > Customer feedback
 - > Customization
 - > Paying attention to research
- ◆ Grading your programs
- ◆ Keeping score

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FY '94 Challenges

- ◆ **“Air cover” across product pools**
- ◆ **Key account marketing management**
 - **Uniqueness**
- ◆ **Product business objectives**
- ◆ **Framework for individual products**
 - **Leverage model**
- ◆ **Sales involvement and shared goals**

Reseller Marketing Programs

- ◆ **Promotional framework**
- ◆ **Tools strategy**
- ◆ **Product program strategy**

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Current Framework

- ◆ **Twice yearly planning cycles**
- ◆ **2 -10 channel marketing promos yearly**
- ◆ **Support 10-20 products**
 - **Microsoft line or "family"**
 - **New top product launches**
 - **Individual key product opportunities**
- ◆ **Plus many product group promos**
 - **Released with limited or no channel and field support**

Benefits Of Promoting

- ◆ **Trade**
 - **Awareness**
 - **Distribution**
 - **Advertising/merchandising/floor support**
- ◆ **End-users**
 - **Awareness (product or "MS image")**
 - **Trial**
 - **Accelerate purchase**
 - **Cause impulse purchase**
 - **Multiple units during one purchase cycle**

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Promo Framework FY '94

- ◆ **FY '94: promo calendar featuring:**
 - Microsoft "Impact campaigns"(1-2/year)
 - Key product launches
 - Regularly scheduled "Impulse" line promos for < \$200 SRP titles
 - More "in-the-box" promos compete on shelf
 - Monthly in-store merchandising via outside support
 - Field account customization - takes planning
 - Scalable for international (if possible)

Channel Tools

- ◆ **What are they?**
 - Training, tech, sales to meet awareness, usage, recommendation, and attitude objectives
- ◆ **Why?**
 - Increase third parties to expand reach and form Microsoft recommenders
 - Offload support
 - Lower OUR costs
- ◆ **Communicate**

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Channel Tools Defined

- ◆ **Training tools - increase awareness and usage**
 - Invest in your program
 - Learn and earn program
- ◆ **Tech tools - increase usage with better party support**
 - CD-ROM-based support coordinator program
 - Windows channel tech workshop
- ◆ **Sales tools - increase awareness**
 - Windows and Windows applications product reference binder
 - Macintosh applications product reference binder

All to increase recommendation

Current Tools Programs

- ◆ **Designed from ground up**
- ◆ **Individually designed to meet product goals**
- ◆ **Run like promotions**

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Tools Strategies - FY '94

- ◆ **Leverage other Microsoft departments' expertise**
- ◆ **Consistent and long-term**
- ◆ **Meets channel research findings**
- ◆ **Scalable to a district (sub level)**
- ◆ **Communication quality not quantity**

Individual Product Programs

- ◆ **Product launches**
- ◆ **Try and sell more NOW**
- ◆ **Competition**
- ◆ **Just do something**

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Current Product Programs

- ◆ We will deal with them as they come up
- ◆ Each program built from ground up

Product Programs FY '94

- ◆ Better planning through template development
- ◆ Better channel segment targeting
- ◆ Resource planning
- ◆ Scalable programs
- ◆ Do they need to stand alone?
 - > Without sales resources

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