

From: Tom Reeve (tomr)
Sent: Tuesday, March 15, 1994 5:09 PM
To: Joachim Kempin; Jeff Lum; Kellee McCusker; Mark Baber; Mary Jo Newton
Cc: Patty Stonesifer
Subject: RE: Patty's call with Amezcua

I think at \$3 we hurt ourselves more than we hurt Spinnaker.

From: Joachim Kempin
To: Jeff Lum; Kellee McCusker; Mark Baber; Mary Jo Newton
Cc: Patty Stonesifer; Tom Reeve
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 4:19PM

I am late catching a plane:therefore short:
 IBM did not tell us anything about beeing pissed because we are doing consumer biz with Compaq. Relationship, hard to judge for me. Take the biz at \$3 and hurt a competitor.

From: Kellee McCusker
To: Jeff Lum; Joachim Kempin; Mark Baber; Mary Jo Newton
Cc: Patty Stonesifer; Tom Reeve
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 4:19PM

Except that when Spinnaker was at \$3 and we were at \$6, the delta was not significant enough for them to make the change. They will pay "the premium" as they see it. So, since Spinnaker is at \$0, they are saying we would need to be at \$3 to even be considered. Sorry that was not clear in my mail. What do you recommend we do?

From: Mark Baber
To: Jeff Lum; Joachim Kempin; Kellee McCusker; Mary Jo Newton
Cc: Patty Stonesifer; Tom Reeve
Subject: RE: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 2:09PM

Kellee - if all the below is in fact true then IBM should not be interested in licensing Works at even \$3.00.

markba

From: Kellee McCusker
To: Jeff Lum; Joachim Kempin; Mark Baber; maryjon
Cc: Patty Stonesifer; Tom Reeve
Subject: Patty's call with Amezcua
Date: Tuesday, March 15, 1994 1:34PM
Priority: High

Patty just gave me an update on her call with Robert. The call did not go well in that PS/1 firmly believes that there is no difference in Works packages out there, therefore decision based only on price. Without a \$3 Works price, this US business is lost to Spinnaker for now. Price is king.

I don't think we should go to a \$3 price. I know this business is binary - but it sets a whole new precedent in Works pricing - soon PB, Compaq, and our other big players will be there and this significantly affects our revenue. Spinnaker is a shitty product - they are desperate, we need to win this battle on the relationship and value fronts. From a revenue standpoint, long term it would hurt us to go down across the board and that's what has happened for the last 3 years. Going to \$3 fixes a short term problem, but hits us harder in the long term.

I think it has hurt us that we don't have the right relationship with PS/1. No reflection on Mary Jo as she is new to this biz and only 2 months on this account. Robert's Lexington group only cares about product engineering and has no marketing. Marketing is in Atlanta, a group which is so out of touch with the channel and overall it is a very disfunctional situation. By penetrating marketing and management groups, we will be able to better establish our value as premium products.

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get them in touch with their channel, HELP them market, etc..
I think they may need to learn the channel returns and PSS
cost experience themselves. PB & Compaq did and they came
back to form committed partnerships with us. It is true that WORKS
will not make someone buy a PC, but if they can't use the pc when
they get it home or it's hard – they return it or call the OEM more.

We still win with Encarta on PS/1 in the US and Works Int'l.- so we
are not shut out completely.

Other comments from Patty's conversation:

- Robert knows Maples, maybe we should have him call? maybe not,
Patty is not sure that this will help the situation.
- PS/1 pissed that we are marketing with Compaq and
makes them want to have a different works product.
 - apparently communicated this to Joachim last week
- Their research shows a works is a works is a works
and customers do not care
- They don't believe returns or support costs will go up with spinnaker.
- Interested in marketing, but PRICE rules.
- Pissed that we offered Encarta derivative bundle at \$8 if they kept
Works on these svstems. Feel this is tvino & illegal.

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Redacted**

So at this point, we have still lost this business in the US for the
short term. Joachim, I know you are going out of town to London,
but would like your thoughts and your team's thoughts on this situation. –Kellee

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