VJ98 SKUs and Pricing

Strategic Objective

Migrate and lock Java developers to Win32 Java

Market Situation

- 100% Pure Java under some scrutiny from press, but still remains *the* number one reason for developers writing Java
- There is distrust about Microsoft's commitment to Java and about it supporting the Java standards
- All Java tools have low SCI compared with non-java tools; VJ has the lowest SCI (6%) of all Java tools
- Other Java tools have 8+ month lead time over us
- Windows developers need a believable reason for switching to Java

Target Market Segments

1. Java Developers

Characteristics
- Slightly fading confidence in cross-platform Java; however cross-platform capability is still the main reason for using Java
- The emerging realization that lowest common denominator applications are not compelling and do not provide competitive advantage needed to succeed in market place
- Have made investment in learning Java and need to make that investment payoff.

Sub-Segments

Individuals
Individuals currently make up a large percentage of Java tools purchases (or downloads in the case of free tools and development kits). They are picking up Java out of an interest created by the Sun PR-hype machine. They see the opportunity to add a skill that is in demand for their resume and possibly increase their income and stature. These individuals exist in all types of companies and schools. What differentiates them is that they are investing their own time, money, and effort without necessarily the support or prodding of their employer, and thus have higher price sensitivity. This sub-segment spends less than 80% of their time on Java development and constitutes 80% of the Java market (Appendix A).

Corporations (MIS, VAR, ISV)
Corporations (especially large ones) have been fairly slow to adopt Java. They are concerned about the maturity of Java, the risk associated with committing to unproven technology, as well as how much return on investment they will get from Java. That said, many of them are starting to evaluate Java's potential and some are starting pilot projects to test out what kind of benefits they can get from writing applications in Java. This sub-segment is characterized by a lower price sensitivity compared with that of the first sub-segment, spends 80% or more of their time on Java development, and makeup 20% of the Java market (Appendix A).

2. Windows Developers

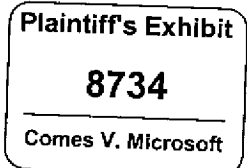#### Characteristics
- Want faster development
- Want power of C++ w/o the complexity
- Need full and immediate access to Win32 API

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- Need clear advantage to move from current tool
- Low price sensitivity

C++ Developers are sophisticated programmers who generally understand the nuances of both client/server and object-oriented development. Most C++ developers regard Java as a superior syntactic language. They cite Java's inherent threading model and built-in networking capabilities as features that greatly enhance client/server development, particularly on the server end. [Need figure here, if there is one] % of C++ developers regard Java's performance problems as a major drawback and are awaiting future performance improvements before investing heavily in Java development. While C++ developers acknowledge Java's power and capabilities, they still look upon the language and the supporting tools as immature. Further, they see the majority of vendors' implementations of the language, virtual machine, and tools as unstable.

C++ developers are looking for a language with staying power, one that allows them to build fast and robust applications. They are looking for a tool that exposes the power of the underlying operating system, simplifies deployment, and aids in the construction of networked applications, all from a stable vendor.

SKUs & Pricing

Since cross-platform capability is the fundamental desire in Java market, VJ98, being primarily the tool for Java development for Windows, does not cater to the current market demand. Thus the Java market needs to be made aware of the pitfalls of cross-platform Java and needs to be educated on the merits of Java development for windows. The proposal for VJ98 SKUs is an effort to balance the following considerations:

- Since the product philosophy of VJ98 is drastically different from that of VJ1.0 and 1.1, it is critical to raise awareness of the 'new VJ' and generate trial even though it is a year-old product.
- It is important to cater to the needs and price-sensitivity of the first sub-segment in Java market, as this sub-segment is of substantial size.
- With Java being pitched (by MS) as merely a language for Windows development, VJ is more squarely lined up with VB and VC as windows development tools. Thus the pricing and SKUs of VJ need to be more aligned with those of VB and VC.
- Since VJ98 will serve as one of the key differentiating components between VS97 and VS98, its pricing need to support the VS pricing philosophy.

Proposed SKUs

- **Standard Edition** – to cater to the needs of 'individuals' sub-segment in Java market. Compared with the Professional Edition, this edition will not have the features that are critical for Java development for commercial/business use (database access, server-side development, deployment).
- **Professional Edition** – to appeal to the second sub-segment of Java market and Windows developers
- **Trial Edition** – Professional Edition with try-before-buy wrapper
  - 3-month time-bomb: to raise awareness and generate trial (expected to be two-thirds of free distribution)
  - 6-month time-bomb: for bundling with books (expected to be one-third of free distribution). Even though for this segment of the market, the upsell to Learning Edition will be a more effective upsell, the wrapped, time-bombed Professional Edition is preferred for bundling with books to encourage the books coverage of *all* features of VJ. The 6-month time-bomb is to align with the average 6-month use of a technical book. The try-before-buy wrapped Standard Edition, though more suited for this segment, is not recommended to avoid additional development efforts and SKU complexity.

Pricing

	Reseller Channel	Direct	Other Channels

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	Box	Downloada ble	Box	Downloa dable	Books, Mag, Shows
Trial Edition (time-bombed Pro Ed)	--	free	--	free	free
Standard Edition	$109	--	$109	--	--
v1.1 to 98 std Upgrade (net of $80 rebate)	$29	--	$29	--	--
Competitive to 98 std Upgrade (net of $60 rebate)	$49	--	$49	--	--
Professional Edition	$499	free (trial-to-purchase)	$499	--	free (trial-to-purchase)
v1.1 to 98 Pro Ed Upgrade (net of $100 rebate in VUP/CUP box)	$99	$99	$99	--	--
Competitive to 98 Pro Upgrade	$199	$199	$199	--	--
Standard Edition - AE	$49.95	--	$49.95		
Standard Edition – AE MLP	$24.95	--	$24.95		
Professional Edition - AE	$99.95	--	$99.95		
Professional Edition – AE MLP	$44.95	--	$44.95	--	--

Qualifying products for competitive upgrade: listed in Appendix B

Rationale:

Standard:
- $99 base price is to cater to the highly price-sensitive majority of current Java market (Appendix C: 91% of all Java tools sold are priced under $100), and provide <$100 price point for the new market entrants ((35% annual growth => ~133 K new people in a year).
- $29 and $49 version and competitive upgrade prices, respectively, are to make upgrading to VJ98 extremely attractive (thru under $50 price point and the lowest price in Java tools) for the more price sensitive sub-segment of the market

Professional
- $499 price is primarily to be consistent with VB and VC pricing (Appendix D), and to support the VS pricing philosophy.
- In addition, higher the price, higher the perceived quality, perceived value and loyalty to the tool (leading to higher SCI). Windows developers are accustomed to higher price points.
- There is an opportunity to move some of Power++, C++ Builder and Delphi customers to VJ who are interested in a RAD windows development tool which is in between C++ and VB on performance and ease of language scales. Once we get them, VS will be a good upsell. These people are accustomed to paying $499 for a pro Ed and around $200 upgrade price (an <$100 CUP price will lower the perceived quality of the tool to them)
- $199 competitive upgrade price balances the need to attract the competitive non-Java tools customers with the need to provide <$200 price point for the higher end of Java market (8% of Java tools sales – Appendix C)
- $99 version upgrade price is to prevent sticker shock relative to VJ1.1 pro pricing, and offer an <$100 price point (VJ1.1 rebate redemption rate is 10%, indicating that $99 is low enough price for most Java developers)

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